FINANCIAL REVIEW

OF

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

AS AT

OCTOBER 27, 1987

Coopers
&Lybrand

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I. EXECUTIVE SUMMARY

We have completed our review of the New Brunswick Electric Power Commission, in accordance with the terms of reference attached to our letter of November, 1987. In our detailed report, we have presented our findings under ten major headings, which are set out in the table of contents.

The purpose of this executive summary is to provide an overview of our findings and, in particular, to highlight certain areas where policy decisions should be taken, or where we have identified the potential for financial risk.

An overall assessment of the New Brunswick Electric Power Commission is that:

* the organization has been professionally managed;

* the goals and objectives of the organization are clear and well understood by management;

* the business components of the organization make sense in the context of its goals and objectives, although N.B. Coal operates only at a break-even point;

* rates charged to customers are high when compared to many other Canadian utilities, although most of the higher cost may be attributed to the small amount of cheap hydro electric generating capacity;

* information for making management decisions is available, and is used, both by management and the Commission; and

* the financial condition of the Commission is sound, and the financial statements of the Commission, which have been independently audited have been prepared on the basis of Generally Accepted Accounting Principles.

Below, we set out the matters of policy which will have to be resolved in the near future, and the areas of risk for the Commission.

A. MATTERS OF POLICY

* The Commission, which has a monopoly on the delivery of electric power in the province of New Brunswick, has operated in an unregulated environment. This has deprived the consumer, who has no choice but to use the services of the Commission, of the opportunity to have any intervention in the activities of the Commission, other than through the political process. As a result of this and also as a result of the lack of a meaningful accountability document (other than the annual report), there is a danger that the Commission will be perceived as autocratic and unresponsive to the concerns of the people of the province of New Brunswick. In our view, regulation and a better accountability framework is desirable. In the body of our report, we have set out various regulatory models for review by the Provincial Government, and have suggested a framework for reporting the effectiveness of the Commission.

* The Commission is taking steps to move away from its dependency on oil based generating facilities. One of the initiatives they are considering taking to achieve this at existing plants is to substitute oil by an orimulsion, which will be imported from Venezuela. Venezuela is presently the only source of this product. Therefore, consideration should be given to the desirability of tying the provincial utility in to one supplier, even though conventional oil burning capability would be retained at converted plants. The Commission is currently in the process of testing the feasibility of using this fuel, and may ultimately decide against its use for environmental reasons. Firstly, orimulsion has a higher sulphur content than the heavy oil currently in use, and secondly it also has some undesirable handling qualities at lower temperatures. The

outcome of this decision will depend on the price of orimulsion which is still be negotiated.

New thermal plants will be designed to accommodate a wider range of fuels, including a variety of coals, conventional oil and orimulsion.

* In 1986, the Commission acquired shares of N.B. Coal from the province for a nominal amount. The Commission takes all of the production of N.B. Coal. At the present time, the cost of the coal produced in province is higher at the Dalhousie plant site than the cost of imported coal. In addition, the local coal has a sulphur content of 7%, compared to 0.7% for coal purchased on the international market. The burning of more local coal would have significant environmental consequences, unless scrubbers are purchased to reduced SO_2 emissions. The Commission is not prepared on its own volition to pay for the cost of scrubbers, which would result in costs per BTU being some 80% higher than the cost of buying coal on the open market. It has suggested that the cost of purchasing the scrubbers should be borne by some other government agency. Careful consideration will have to be given to the economic and social benefits derived from the provision of employment to the coal workers on the one hand, and the high costs associated with utilizing in-province coal supplies on the other. Without satisfactory resolution of the scrubber question, ongoing utilization of local coal over the longer term may have to be restricted primarily to the existing Grand Lake plant where the coal is more economic. Another possibility is to consider alternative technologies of burning New Brunswick coal.

* In order to protect customers from unnecessary rate instability, the Commission has established certain criteria for financial reserves which are to be set aside in case of either a decline in water flows

for hydro electric generating, or for a prolonged nuclear plant outage. In profitable years, additional sums are added to the reserve, and in poorer years, the reserves are drawn down. As a result, financial performance on a year to year basis appears to be quite constant, while in fact this is not true. Over time, the withdrawals from the reserve are intended to equal the cumulative additions in prior years, resulting in a zero balance. However, using the current criteria, under certain pricing conditions for oil, the reserve could grow from its present level of $250 million to several times that level by the late 1990's. Since any addition to the reserve comes from the present consumer in the form of higher rates, it is critical to periodically review the appropriateness of the criteria used to calculate the reserve.

* To some extent the need for the reserves referred to in the preceding paragraph is dictated by the wide fluctuations in water supply in the Saint John River. The reserve could be reduced if reservoirs were to be built further up the river to conserve water supplies. The possibility of doing this has been explored in the past, but has run into difficulties from environmental and political factions in the State of Maine. The government of the province of New Brunswick may wish to consider making representations to Maine to determine the current political climate for pursuing such a venture.

* N.B. Power's management philosophy and practice is to be both project and construction managers on many of their major construction projects. As management's expertise and energy is dedicated to the generation and distribution of power, consideration could be given to contracting out the construction management component to professional construction management firms.

B. AREAS OF FINANCIAL RISK

* Electric power rates in the province of New Brunswick are highly sensitive to fluctuations in the world price of oil. Not only is the greater part of the Commission's generating capacity derived from oil, but also the price of power purchased from the province of Quebec is tied into the price of oil fuel it replaces. In all, some 41% of total power is priced in relation to oil. The Commission has calculated that at the present time, an increase of $1 U.S. in the price of oil would have a $7.91 million effect on N.B. Power assuming in-province rates are not increased. This explains the desire by the Commission to pursue options to find alternative sources to oil as a fuel source.

* The Commission, in considering the need for the construction of new plant facilities, prepares a load forecast. Since the 1970's long-term forecasts by electric utilities have not proven to be particularly accurate. In the case of N.B. Power, this has been true in large measure because of poor estimates of future power usage provided to the Commission by the pulp and paper industry. Furthermore, the forecasts are very sensitive to demand factors. An error of 1/2% in the estimated growth rate will result in a deviation of 250 MW after 15 years, or one plant 25% bigger than Dalhousie II.

* Some 44% of the total debt of the Commission is denominated in U.S. dollars, while an additional 8.5% is denominated in Swiss Francs. Net existing debt balances are expected to decrease by 75% over the next 10 years. However, at the current time, a change of 1 percent in the relationship between the Canadian and U.S. dollars produces a fluctuation of $4 million on the amount due to be repaid.

* In an estimate prepared by a pension consultant at N.B. Power's request, an unfunded liability of $83.5 million was reported. This is approximately the same as the proportionate share of the unfunded liability reported in the last actuarial valuation of the Public Service Superannuation Plan.

  Administration of the pension plan and the legal liability for the unfunded portion of the fund rests with the province of New Brunswick, rather than with the Commission.

* The Commission has recognized an amount of $103 million as a provision for nuclear decommissioning and irraditated fuel management at Point Lepreau. This amount was determined based on an interpolation of a decommissioning study conducted by Ontario Hydro at Pickering and Bruce for four reactors at each site. The Commission has not conducted a site specific study for Point Lepreau. While the amount set aside is in line with amounts set aside by other utilities, amounts provided in some cases in the U.S. have been considerably higher. There is a risk that the provision for nuclear decommissioning and irraditated fuel management may be inadequate.

* N.B. Coal is responsible for restoring lands disturbed through mining since 1977. However, they do not record this financial liability as it arises during the course of mining operations. As at March 31, 1987, it is estimated that an unrecorded liability of at least $840,000 exists.

* The Commission has recently completed a major depreciation study which had the effect of increasing income by $913,230 for the 7 months ended October 31, 1987. This study covered all of N.B. Power's fixed assets other than thermal plants. As thermal plants have the highest net book value outside of the nuclear plant, there is a possibility that depreciation rates and the accumulated

depreciation reserve may be misstated. A depreciation study is currently underway in thermal plants.

Each of the foregoing matters is discussed in greater detail in the main body of our report. In particular the report contains a large amount of comparative performance data which we have used to determine the relative performance of the utility against other public utility companies.

As agreed, export/import risks and the risk of NEB reform have been considered to be beyond the scope of this report and we have not attempted to resolve the complex construction management issue.

The information contained in this report has been largely provided to us by the management of N.B. Power in the form of internal documentation, or through an interview process. We would like to acknowledge the cooperation provided to us by the staff at the Commission who made themselves readily available to our consultants.

II. INTRODUCTION

This report fulfills the terms of reference established by the Government of New Brunswick dated November 10, 1987 for the review of the New Brunswick Electric Power Commission.

Specifically, Coopers & Lybrand was retained to review and report on:

Objectives

1. The plausibility of the interim financial statements prepared by the Commission for the fiscal period ending on or closest to October 27, 1987.

2. The appropriateness of the accounting principles used by the Commission in the preparation of the financial statements in relation to those used by the Commission in the preparation of annual financial statements, and in relation to other similar public utility corporations.

3. The way in which the accounting principles used by the Commission have been applied, and the judgements that have been made in their application.

4. The financial condition of the Commission's wholly-owned subsidiary company, N.B. Coal Limited, as disclosed in the subsidiary company's financial statements.

Objectives

5. The Commission's plant records, particularly in relation to the capitalization policies applied. Coopers & Lybrand will also review the systems utilized by the Commission to determine depreciation rates.

6. Details of any assets which could be considered redundant to the activities and mission of the Commission.

7. The procedures adopted by the Commission to determine alternative courses of action for the delivery of electric power to the people of New Brunswick.

8. The Commission's deferred charges, including the unrealized foreign exchange costs. Coopers & Lybrand will also review the methodology used by the Commission in the determination of the cost of decommissioning the nuclear unit at Point Lepreau.

9. The method by which the Commission determines the amount required to be set aside for the Insurance Fund, and whether there are any apparent abnormal risks.

10. The criteria used by the Commission to determine the appropriate amounts to be set aside as generation equalization reserves.

11. The status of the contracts for the delivery of power to and from other jurisdictions.

Objectives

12. Accounts receivable and the adequacy of the Commission's allowance for doubtful accounts.

13. The details of any debt of the Commission which may be considered to be guaranteed by the Province of New Brunswick.

14. Contingent liabilities and commitments of the Commission as at October 27, 1987.

15. The plausibility of the forecast of revenue and expenditure prepared by the Commission for the remainder of the fiscal year, taking into account the budget of the Commission and all other factors identified during the course of our review.

16. The process under which the Commission has determined future load factors, and the extent to which these factors have been considered in the planning of future capital projects.

17. The appropriateness of the Commission's debt/equity structure, and cost of capital.

In addition to the foregoing, Coopers & Lybrand reviewed:

* The work performed by the Commission on the assessment of the feasibility of converting existing plants to burn Venezuelan fuel oil and solid fuel supplied by N.B. Coal.

Objectives

* Shared cost arrangements with the Federal Government for the provision of scrubbers at coal burning plants (e.g. Coleson Cove).

The above terms of reference call for a financial review to be performed on the Commission. We have extended the scope of our review to include items such as performance, accountability and internal and external reporting at the request of the Steering Committee. The scope of our work included:

* review of the accounting records and the accounting principles. This covers items 1, 2, 3, 4, 5, 8, 10, 12, and 13 of the terms of reference;

* review of the load forecast techniques used by the Commission. This covers item 16;

* discussion with management on future development plans as well as review of pertinent documents. This covers item 7;

* review of contracts with other utilities as well as review of long term purchase agreements and discussions with management on potential contingent liabilities. This covers items 11 and 14.

* review of the debt and debt/equity ratios. This covers items 13 and 17;

* review of the insurance policy of the Commission in lieu of the terminated Insurance Fund. This covers item 9;

* review of forecasts to March 31, 1988. This covers item 15; and

* discussions and review of the asset base to determine if redundant assets exist. This covers item 6.

The rest of the information contained in this report was obtained from discussions with management and from review of pertinent documents, the annual reports of utilities, and discussions with management of the Commission. This information was not reviewed in the same level of detail as the information required by us to form judgements on the objectives included in the terms of reference.

III. N.B. POWER - BACKGROUND

This section of the report backgrounds N.B. Power. The topics covered are:

* stated goals and objectives;
* capacity requirements;
* financial criteria;
* management's business philosophy; and
* roles and responsibility

A. STATED GOALS AND OBJECTIVES

The Electric Power Act established The New Brunswick Electric Power Commission (N.B. Power) with the objective of:

* providing a continuous supply of energy adequate for the needs and future development of the Province; and
* promoting economy and efficiency in the generation, distribution, supply, sale and use of power.

In fulfilling these objectives, the Act allowed the Commission to charge rates to its customers that would enable the Commission to meet all of its costs including "unforeseen expenditures" and also maintain reserves and surpluses adequate for a properly managed corporation.

The Commissioners and management of N.B. power have interpreted the objectives of the Act to mean:

* provide a reliable, secure and economic service while taking every opportunity to benefit the provincial economy; and

* provide a business environment which ensures a quality of service and cost that earns the confidence of customers and pride of employees.

In order to achieve the above, N.B. Power has established the following long term strategic objectives:

* maintaining a generating capacity which will meet in-province peak load demands plus a reserve; and

* establishing financial criteria which would maintain N.B. Power's "A" credit rating thus ensuring access to worldwide credit markets at reasonable costs.

B. GENERATING CAPACITY REQUIREMENTS

One of the key objectives of the Commission is to provide a reliable, safe and environmentally acceptable power system. Planners have accepted the notion that the probability of failure should be one day every ten years. While no hard set mathematical formulas exist to determine what generating capacity should be to achieve this objective, the Commission uses the "rule of thumb" that the system should meet in-province peak demand plus maintain a reserve capacity which would equal the greater of:

* The loss of the largest plant on the Maritime System (N.B., P.E.I. and N.S.) under conditions of historically low hydro energy; and

* 20% of the firm system peak load in the province of New Brunswick under conditions of normal water flow.

As well as this key goal, N.B. Power has established the following operational priorities, which, while not affecting generating capacity, have the effect of changing the mix by which power is generated.

* continue expanding the interconnect network. The tie with Hydro Quebec for purchased power has had the past effect of reducing costs and giving the utility flexibility in timing its construction program, while the tie with the New England has generated profits which are used to subsidize in-province rates; and

* reduce dependence on oil. Much of the thermal plant was built in the early 1970s when oil prices were low. As a result, the utility was exposed to the oil shock of the 1970s and now has a program in place to reduce its dependence on it.

C. FINANCIAL CRITERIA

As mentioned previously, the key financial goal for N.B. Power is to maintain an "A" credit rating in money markets in order to have access to these markets at reasonable costs. The justification for this goal is that with no share structure and with no clearly defined mandate to maximize profits, income targets are set in line with requirements of lenders and rating agencies.

Because N.B. Power's debt is guaranteed by the Province of New Brunswick, the perception by the financial community that N.B. Power is a self-sustaining, viable business will have a positive effect on the province's credit rating. The Auditor General has reported net debt of $2.4 billion for the Province of New Brunswick as at March 31, 1987. In the same period N.B. Power had net long term debt (gross debt less sinking fund and current position) of $2.1 billion which is not included in

the Auditor General's debt figure. By being viewed as a self-sustaining and viable entity, N.B. Power's high debt load will not be viewed as having a negative impact on the province's credit rating.

In order to achieve the self sufficient and viable concept, N.B. Power has established the following financial criteria:

* interest coverage target of 1.25 should be used for rate setting: interest coverage defined as net income plus gross interest expense divided by gross interest;

* the interest coverage target of 1.25 should be allowed to slip during periods of adverse economic conditions but never to the point that an operating loss is likely; and

* a debt to equity target of 80/20 should be achieved along with a target ceiling of 90/10 during major construction periods.

D. MANAGEMENT'S BUSINESS PHILOSOPHY

N.B. Power has a strong business philosophy geared toward providing a quality service at the lowest possible cost. This business philosophy is primary. Management believes that by keeping rates low and providing an acceptable level of service, it will be fulfilling its responsibility to the province. All other considerations, including purchasing in New Brunswick, or acting as an engine for social economic development is secondary. In deciding between business opportunities, the one with the lowest cost to the utility would be preferred over a more costly opportunity that may have other spin-off benefits to the province.

E. ROLES AND RESPONSIBILITIES

The Electric Power Act establishes a Commission of not more than ten members who shall be appointed and dismissed by the Lieutenant Governor in Council. The Act establishes that the Commission, subject to the ultimate approval of the Government of New Brunswick, is ultimately responsible for all key decisions made by N.B. Power. The matrix on the following page summarizes the Act and the roles and responsibilities assigned to the Commission and to Cabinet.

The Act gives the Commission the sole responsibility for the setting of rates and for planning and constructing plant and equipment to meet the capacity and distribution needs of the utility. In past practice, due to the importance of these two factors on the province, rates and new construction of plant have been reviewed with cabinet. Similarly, other major decisions have been subject to Cabinet review. If the government decides, this precedent could continue into the future.

Role and Responsibility	Approval by Commission	Approval by Lieutenant Governor in Council
Appoint Commission		X
Dismiss Commission		X
Appoint Chairman and Vice Chairman		X
Appoint Officers	X	X
Hire Employees	X	
Sign Inter-Government Agreements	X	X
Short and Long Term Debt	X	X
Purchase of Other Companies	X	X
Invest Surplus Funds	X	
Set Power Rates	X	0
Construction of Plant	X	0
Expropriate Property	X	

X - Dictated by the Electric Power Act
0 - Past Practice

IV. CRITICAL BUSINESS COMPONENTS

This section of the report describes the key businesses that N.B. Power is in. These businesses are:

* generation of power;
* distribution of power;
* purchasing from and selling power to other utilities through an interconnect network;
* construction;
* mining of coal; and
* supplying power to P.E.I.

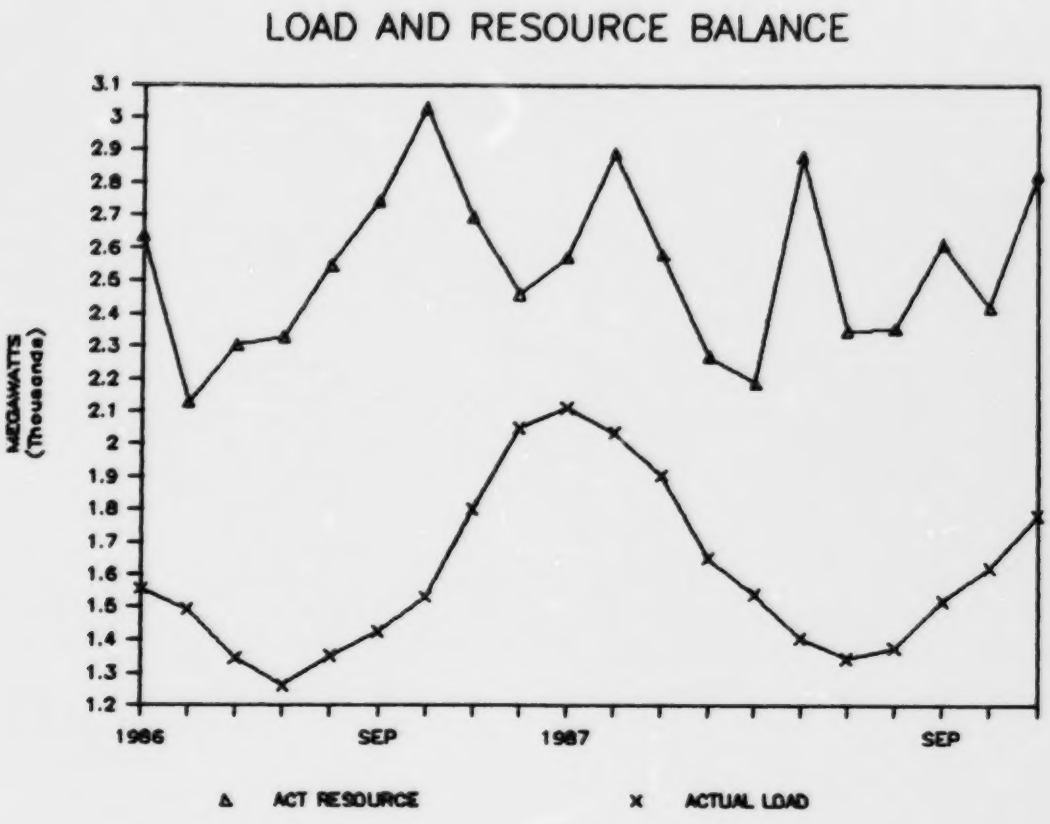
A. GENERATION OF POWER

N.B. Power maintains generating capacity to supply demand. Exhibit I on the following page shows the actual load on the system versus the actual generating capacity. As can be seen from this chart, the actual capacity fluctuates significantly during the year. This is chiefly due to two factors:

* planned shut-down of plants for annual maintenance. The Point Lepreau shut-down in May causes the greatest reduction in capacity; and
* the lack of storage reservoirs for water means that water flows fluctuate with a high in the spring and a low in the winter reducing generating capacity during peak demands.

With current projections, N.B. Power has sufficient capacity to supply peak demand levels until 1990. Subsequent to that, N.B. Power will have to rely on imported energy or build extra capacity.

EXHIBIT I



The generating capacity is supplied by a mix of hydro, thermal and nuclear generating plants. As shown in Exhibit II, on the following page, oil fired thermal capacity predominates.

EXHIBIT II

GENERATION CAPACITY BY FUEL TYPE 1987

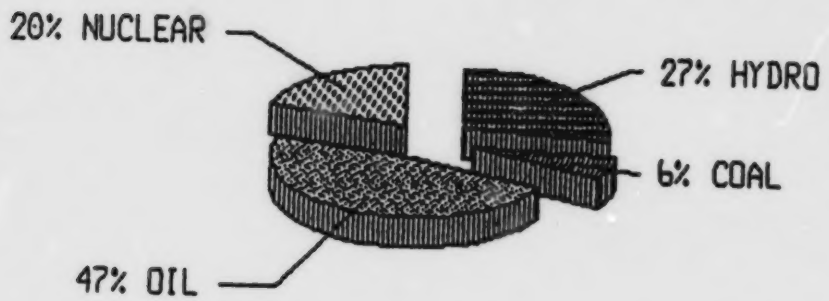
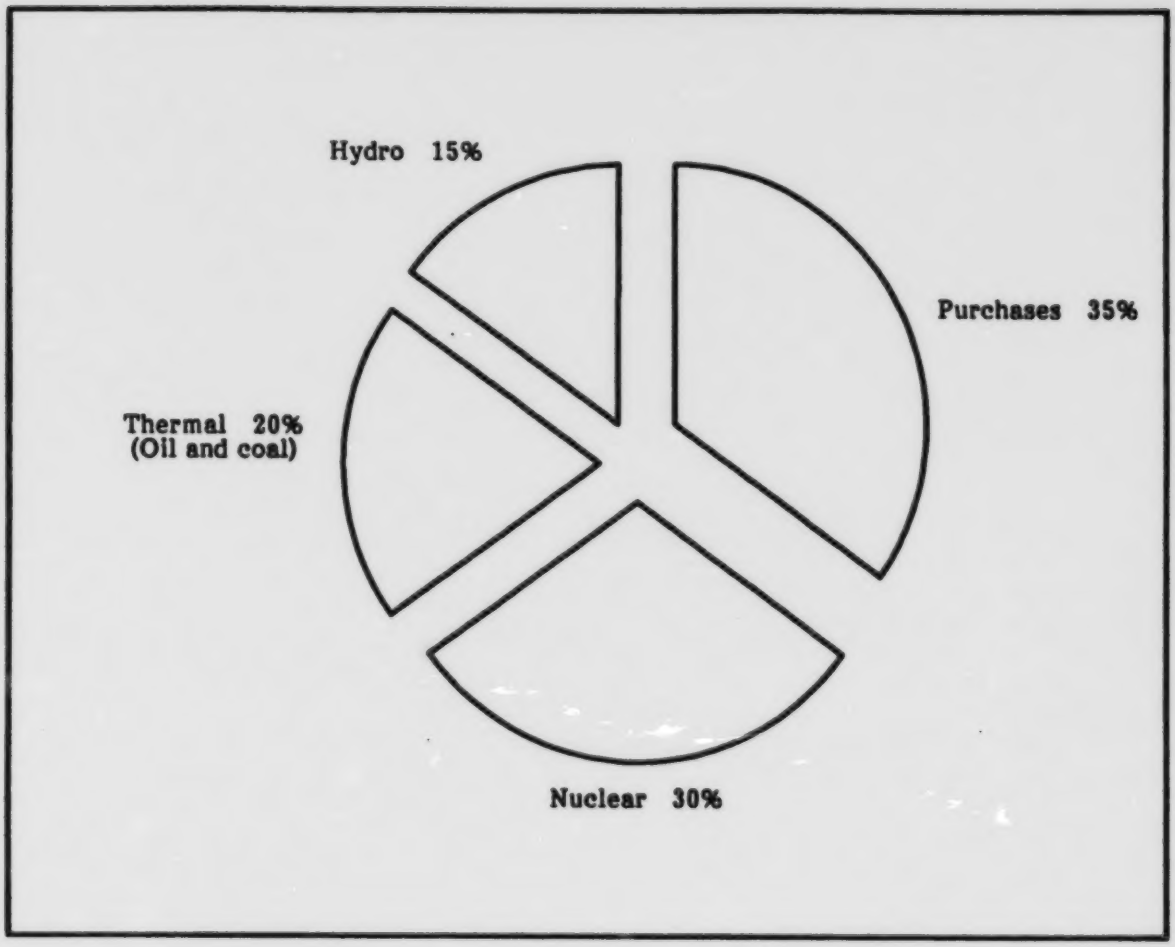


Exhibit II shows that N.B. Power is heavily dependent on oil fired generating power. Forty-six percent of in-province generating capacity is dependent on oil. However, much of the power needed for in-province and export requirements is purchased. Exhibit III shows the actual sources of power to meet in-province and export demand in the 1986/87 fiscal year.

EXHIBIT III

1986/87 GENERATION AND PURCHASES



Purchases from Hydro Quebec account for 35% of total power. At the current time, the price of purchased power is for the most part tied into the price of oil. For 1986/87, when purchases are taken into consideration, the total supply of power priced in relation to oil is 41% of total power generated and purchased.

With this heavy dependence on oil, N.B. Power has embarked on a development plan which will reduce this dependence and reduce the financial exposure of the utility to increased oil prices. The key elements of this plan include:

* contract with Hydro Quebec for the purchase of firm power at a fixed price;

* conversion of two units at Coleson Cove to be fueled by oil and orimulsion; and,

* construction of future plants that will be coal fired.

The planned conversion of the Coleson Cove units has been delayed. The Dalhousie I unit has been converted, at the expense of Venezuela, to burn orimulsion but to date no tests have been conducted at this facility. Venezuela was to have shipped orimulsion to N.B. Power in November. However, due to technical difficulties in Venezuela, the orimulsion was not shipped. The next date for a possible shipment is in the spring of 1988. Depending on the results of these tests and the final price negotiated between Venezuela and N.B. Power, a decision will be made on the timing of the Coleson Cove conversion.

Management of N.B. Power believes that tests for burning orimulsion at Dalhousie I should be positive. Their principal concerns are:

* orimulsion has a higher sulphur content than the heavy oil currently in use. As a result, a price must be negotiated for orimulsion which will be financially attractive after scrubber costs and conversion costs are included; and

* orimulsion can only be supplied by Venezuela. Having a single supplier for any commodity increases the risk that the supply source may be interrupted or conditions under which contracts are negotiated may change. The ability to burn heavy fuel oil would continue even after conversion to orimulsion.

B. TRANSMISSION AND DISTRIBUTION

Once power is generated, it has to be transmitted and distributed to N.B. Power's various customers. N.B. Power has a total of approximately 291,000 customers. This is made up of 253,000 residential, commercial and industrial customers, as well as 38,000 indirect customers supplied through wholesale energy sales distributed by municipal utilities in Saint John and Edmundston.

The systems map on the next page (Exhibit IV) shows the transmission lines in the province as well as ties with other electrical utilities. There are currently 6,160 kilometres of transmission lines as well as 23,861 kilometres of distribution lines.

The number of customers served by N.B. Power has increased by approximately 23,000 since 1983. At the current time electricity is used by 45% of New Brunswick residential customers for space heating versus 29% who use oil and 25% who use wood. Eighty percent of residential customers use electricity for water heating and N.B. Power is penetrating 95% of the new home market.

System Map

Quebec
Dalhousie
Caraquet
Ties with Hydro-Quebec
Eel River
Edmundston
Bathurst
Sisson
Grand Falls
New Brunswick
Chatham
Tobique
P.E.I.
Beechwood
Ties with New England
Bouctouche
Tie with Prince Edward Island
Fredericton
Grand Lake
Moncton
Mactaquac
Maine
Ties with Nova Scotia Power Corporation
Saint John
Milltown
Courtenay Bay
Coleson Cove
Point Lepreau
Grand Manan
Nova Scotia
Legend
Transmission lines
345 kV
230 kV
138 kV

C. INTERCONNECT

N.B. Power has taken major steps to take advantage of its location by building a strong interconnect network with neighboring utilities. The key interconnects are with:

* Hydro Quebec
* New England
* Nova Scotia; and
* Prince Edward Island

The key benefits of interconnection have been:

* lower power rates to in-province customers. The effect of purchasing cheaper power from Hydro Quebec and selling power at a profit to New England has been to keep rates approximately 14.3% lower over the past ten years than would otherwise be possible. After 1994, it is uncertain whether excess capacity will exist in Quebec. This may have an effect on power rates in the province;

* the capacity to build larger and hence more efficient plants without violating the rule of thumb that no plant should be larger than 10% of generating capacity. When Point Lepreau was built (630 MW capacity) it was well in excess of 10% of total N.B. Power's capacity. However, by being part of the Maritime System composed of New Brunswick, Nova Scotia and Prince Edward Island, the 10% rule increased the potential size of plants to approximately 400 MW. The remaining 230 MW was sold to New England maintaining the 10% rule. Interconnections have allowed N.B. Power to build larger plants, thereby taking advantage of economies of scale; and

* future construction to meet in-province loads may be delayed. Future projections call for in-province demand to exceed capacity by 1990. Without the Hydro Quebec agreement for firm supply of energy, construction of plant would have to commence sooner to meet this in-province demand. The Hydro-Quebec contract will extend the period to 1994 and give N.B. Power more flexibility in planning its construction program.

D. CONSTRUCTION

N.B. Power management philosophy is to be project managers on all utility related construction. A core team of project managers is maintained to oversee the continous planning and construction activity carried out by N.B. Power.

As well as being project managers, N.B. Power has also assumed the role of construction managers on previous major projects. Coleson Cove and Point Lepreau are two major projects where N.B. Power acted as construction managers although in the case of Point Lepreau this duty was shared with AECL.

The issue of whether N.B. Power should act as their own construction managers has not been reviewed by us. However, it is not an uncommon practice to have professional construction management firms take on this responsibility on behalf of companies.

E. N.B. COAL

N.B. Power is also in the coal mining business. In a 1979 agreement, N.B. Power guaranteed a lease commitment for the acquisition of a drag line by N.B. Coal. This guarantee entitled N.B. Power to the total coal production of N.B. Coal at cost. In 1986, the Province of New Brunswick, the owner of N.B. Coal, offered 90% of N.B. Coal to N.B. Power for

$1.00. This offer was accepted and thus N.B. Power obtained control over production and management of N.B. Coal.

Historically, N.B. Coal has not been a strong financial performer. The current cost to deliver N.B. coal to the Dalhousie site is higher than costs of imported coal. Added to this is the fact that coal produced in-province has a sulfur content of 7% versus 0.7% for coal purchased on the international market.

The continued economic viability of using in-province coal to fire thermal plants is dependent on the installation of scrubbers or to development of alternative technologies. At the current time, burning 550,000 tonnes of in-province coal would emit 77,000 tonnes of SO_2, almost 60% of N.B. Power's assumed 1994 limit of 130,000 tonnes.

N.B. Power now emits 115,000 tonnes of SO_2. However, to the extent that power purchased from Hydro Quebec is replaced by in-province produced power, the amount of SO_2 emitted would increase. Scrubbers would be needed to reduce SO_2 emissions. Scrubbers could add $21 to $23 per tonne of N.B. Coal making this source of fuel uneconomical.

The table on the following page shows current prices for coal. These prices were supplied by N.B. Power's management. In order to equate coal of differing quality into a common measure, Millions of British Thermal Units are used (MBTU).

	Columbian	USEC[1]	West Canada	N.B. Coal
Cost per Ton	51.02[2]	62.24[2]	65.74[2]	72.46[2]
Cost Per MBTU	2.20	2.45	2.94	3.10
Date Priced	October/87	Sept./87	April/87	October/87

1 United States East Coast
2 Delivered to Dalhousie

As this table above indicates, coal produced in the province has the highest cost per MBTU. If scrubbers are added, the cost for N.B. Coal would become $4.00 per MBTU and after being 90% scrubbed would emit as much SO_2 as imported coal.

One option which will have to be considered by N.B. Power, if some other government agency is not willing to pay for the scrubbers, is to reduce comsumption/production of N.B. Coal. In this way SO_2 emissions could stay below N.B. Power's allocation of 130,000 tonnes and scrubbers would not be needed. Another option is to pursue research on new processes to burn high sulphur coal in an economically and environmentally sound fashion.

F. SUPPLYING POWER TO PRINCE EDWARD ISLAND

Prince Edward Island is not paying the traditional price for interruptable power purchased from another utility. Traditionally, surplus power is sold at a price that is a mid-point between the costs of the two utilities. At this point each utility would be deriving the most benefit from the sale and purchase of energy.

A National Energy Board (NEB) ruling changed this traditional pricing. The NEB ruled that N.B. Power could not charge more for interruptable energy to P.E.I. than it charges to Central Maine. As the cost of producing power in P.E.I. is greater than in Central Maine, P.E.I. derived a benefit from this ruling. Any increased efficiency on the part of either N.B. Power or Central Maine benefits P.E.I. The more efficient these two utilities become, the less the P.E.I. utility has to pay for purchased power.

P.E.I. is dependent on N.B. Power for its electricity needs. Seventy-seven percent of P.E.I.'s power requirements for the past fiscal year came from N.B. Power. It has a 10% equity interest in Dalhousie II and also has firm contracts for power purchases as well as agreements for optional purchase of surplus power. Dalhousie II should serve as a model for future negotiations with P.E.I. By selling an equity interest in its generating capacity, N.B. Power reduces its financial risk in these plants. At the same time P.E.I. benefits from the economies of scale, as well as sharing the risks and rewards of ownership.

G. CONCLUSION

This section of the report has reviewed the key businesses that N.B. Power is in. The key findings and conclusions of this section are:

* Forty-seven percent of N.B. Power's generating capacity is dependent on oil;

* Progress is being made in reducing oil dependence although delays in converting Coleson Cove are being experienced. The delay is due to technical difficulties experienced by Venezuela in supplying orimulsion illustrating the risks of depending on one supplier. New plants will be constructed with multi-fuel capability from the outlet;

* Unless the ceiling on SO_2 emissions is increased or another agency purchases the scrubbers, higher priority will have to be given to developing new technologies to utilize New Brunswick coal in an environmentally and economically sound fashion;

* future negotiations with P.E.I. for the supply of power should encourage P.E.I. to purchase an equity interest in N.B. Power's generating plant.

V. PERFORMANCE

In this section we will analyse the performance of N.B. Power in the following areas:

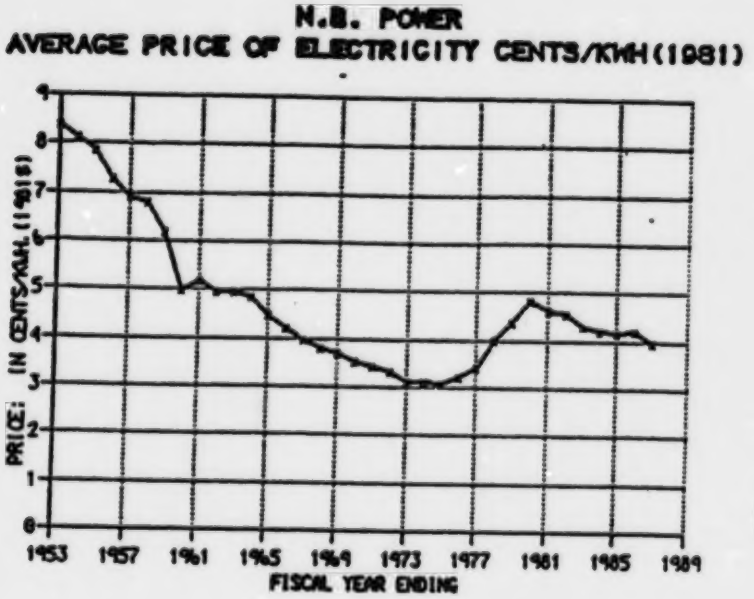
* Rates
* Costs
* Productivity
* Profits
* Accuracy of Forecasts and
* Service Quality

We have excluded N.B. Power's performance on construction projects and inter-connect.

A. RATES

Rates are set primarily to cover all costs associated with the generation and distribution of energy to N.B. Power's customers. One of the key objectives of the Commission is to provide the lowest possible cost electrical service to in-province customers. As indicated by Exhibit V, the rates charged by the Commission, expressed in constant 1981 dollars, have decreased except for the period from 1976 to 1980 when new construction, inflation, and higher oil costs forced the utility to increase rates. This period was followed by stable rates. In the past two years, rates have been held constant.

EXHIBIT V



In comparing the rates charged by N.B. Power to those charged by other Canadian utilities, it is found that on average, rates are approximately 35% higher than the Canadian average. This is due to two reasons:

* Generation mix; and

* Direct costs.

New Brunswick is not endowed with abundant energy producing resources compared to other provinces, particularly those west of New Brunswick. N.B. Power must make use of a combination of generation sources, namely hydro, nuclear and thermal. Each type of generation source has a different cost structure, and in comparing rates across Canada, this must be borne in mind.

Exhibits VI, VII, VIII show rates charged by N.B. Power compared to utilities in New England and Canada for residential, general service and industrial customers. While N.B. Power's rates are less than the rest of Atlantic Canada for all classes of customers, it is more expensive than the majority of central and western utilities due to generation mix and lower fuel costs.

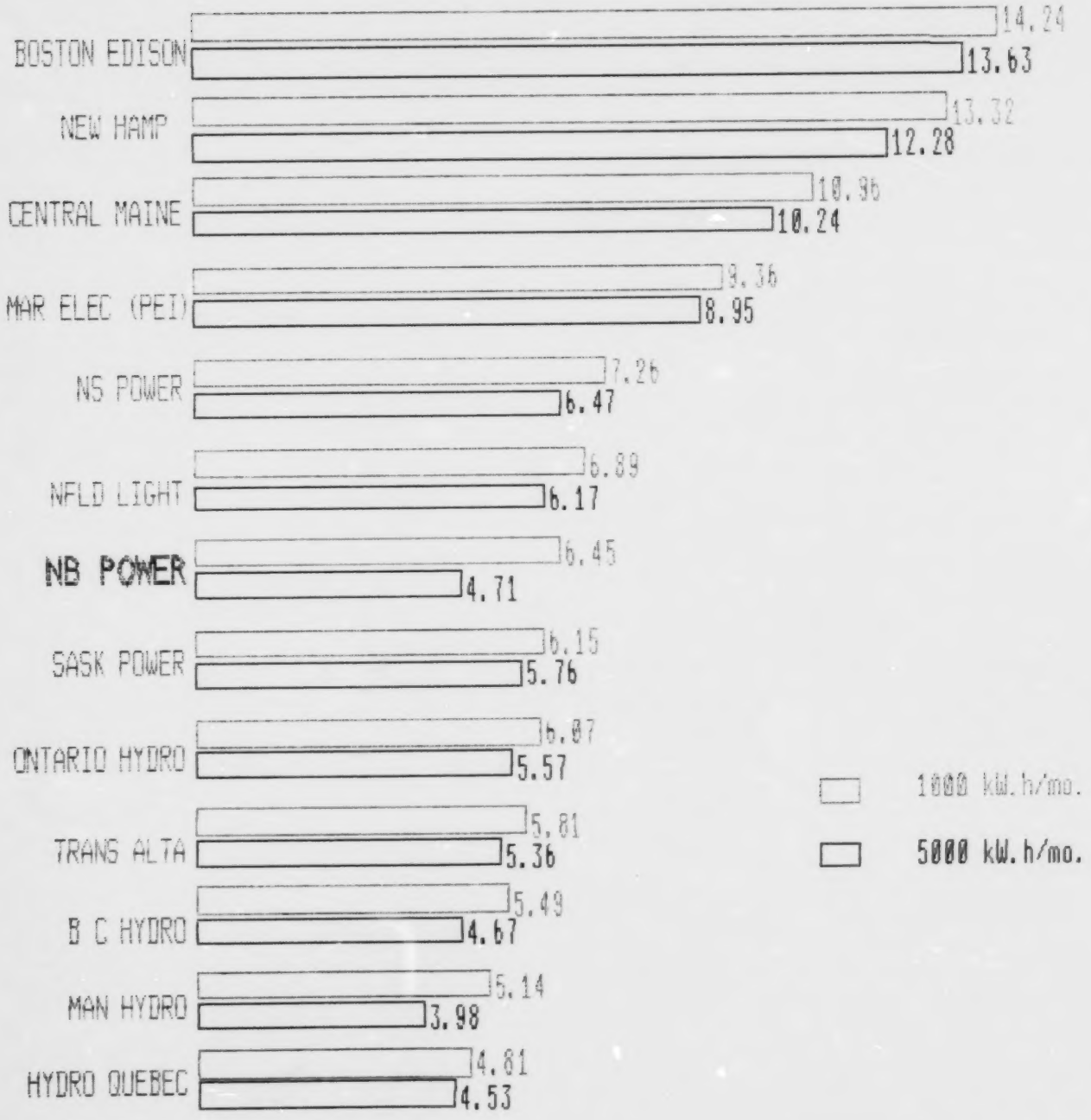
Generally speaking, hydro has the lowest direct cost associated with power generation, followed by nuclear and lastly by thermal. Exhibit IX compares the generation mix by utility across Canada. It should be noted that N.B. Power, even when purchases from Hydro Quebec are taken into consideration, is among the most reliant utilities in Canada on oil fired thermal plants.

Exhibit X compares the direct costs for N.B. Power by generation source for the seven months ended October 31, 1987. As can be seen from this chart, thermal energy, mainly due to the high fuel costs is more than double the direct cost of any comparable type of energy per KWH while hydro has the lowest cost. This explains the higher rates charged by N.B. Power compared to utilities west of New Brunswick.

EXHIBIT VI

RESIDENTIAL RATE COMPARISON (¢/KWH) *

CANADA AND EASTERN U.S.A.



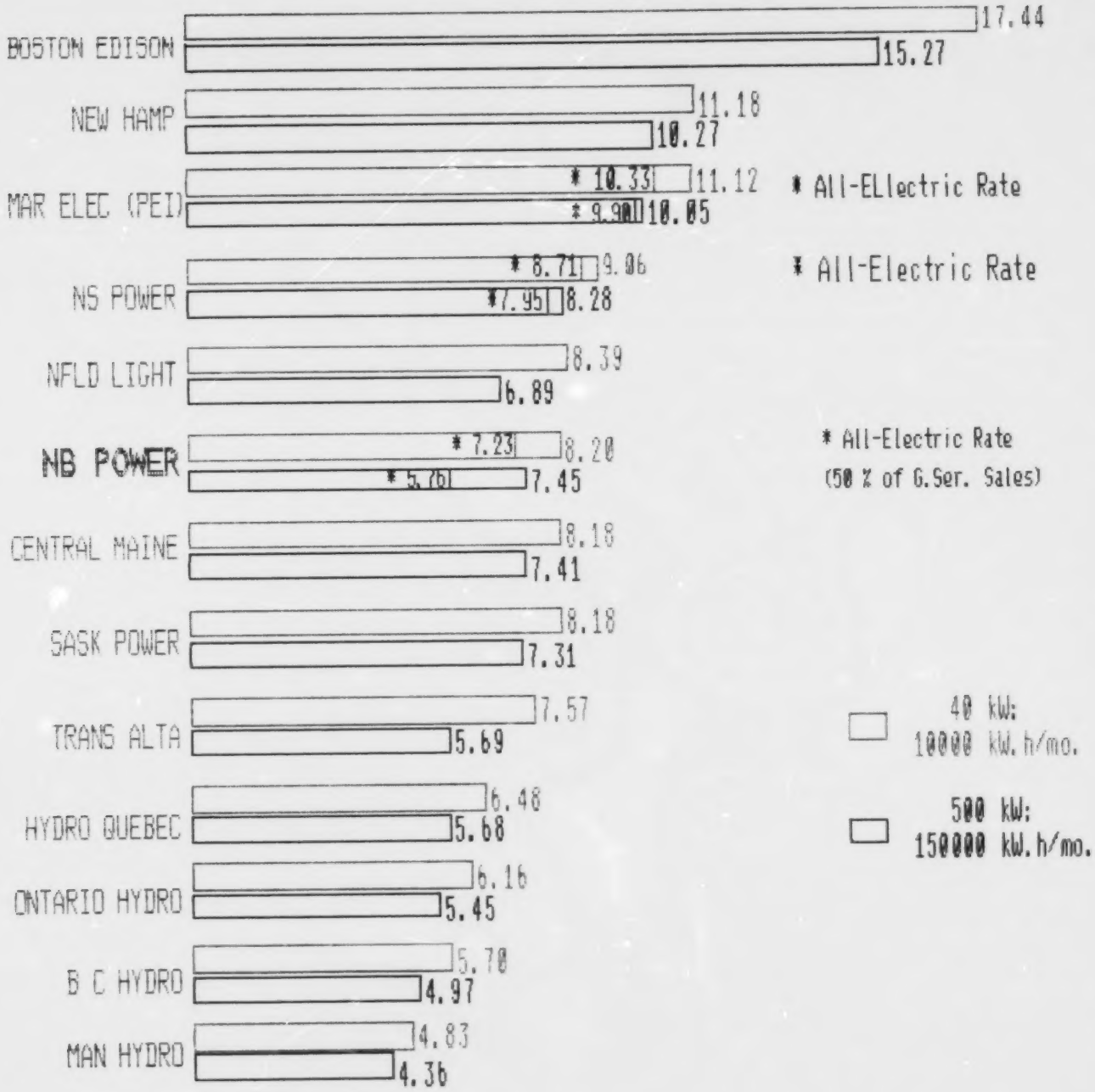
* Final Cost To The Customer In Canadian Currency: $1US=$1.30CDN

OCT 1987

EXHIBIT VII

GENERAL SERVICE RATE COMPARISON (¢/KWH) (1)

CANADA AND EASTERN U.S.A.



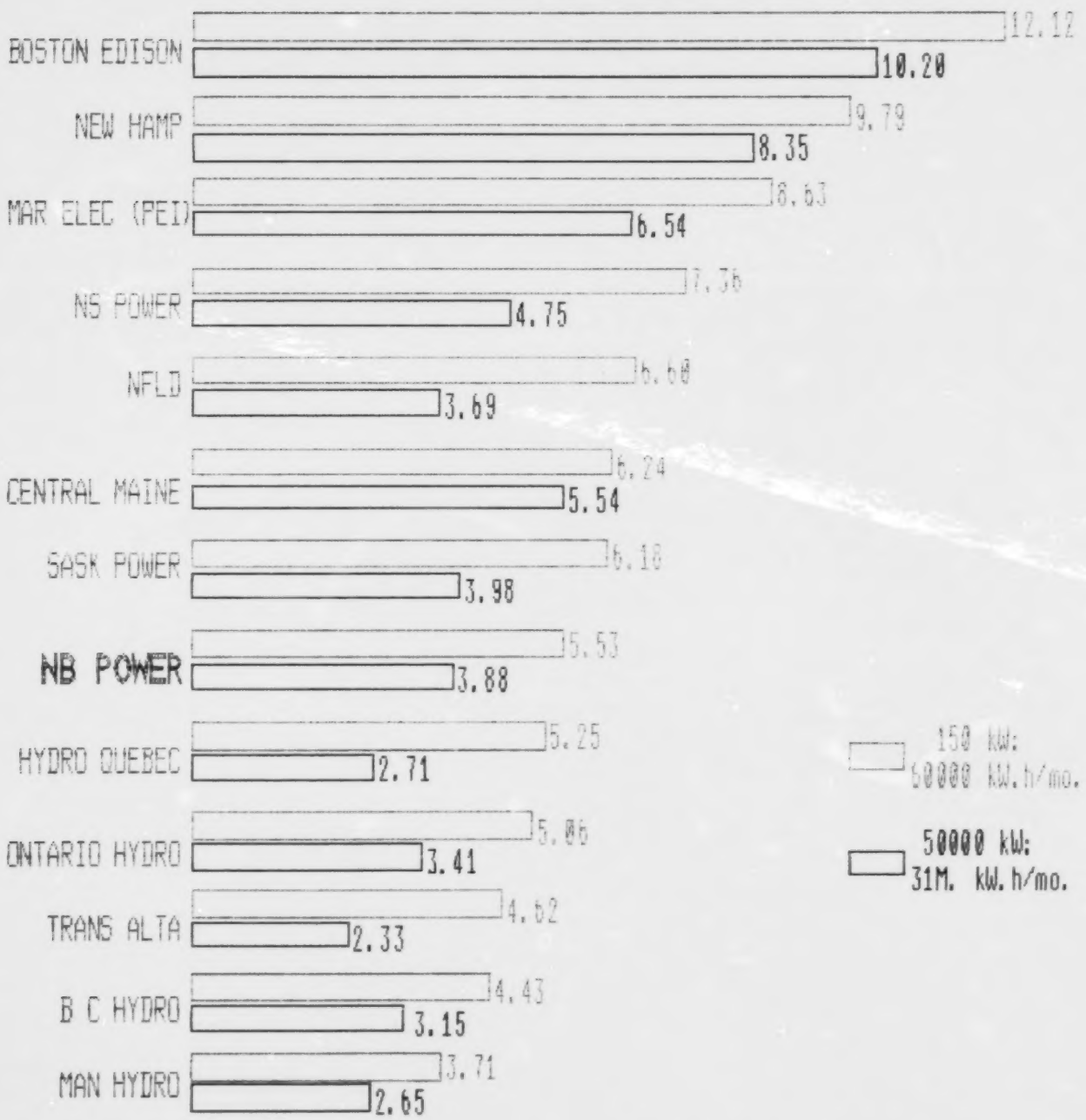
(1) Final Cost To The Customer In Canadian Currency: $1US=$1.30CDN

OCT 1987

EXHIBIT VIII

INDUSTRIAL RATE COMPARISON (¢/KWH)*

CANADA AND EASTERN U.S.A.



* Final Cost To The Customer In Canadian Currency: $1US=$1.30CDN

OCT 1987

EXHIBIT IX
GENERATING MIX OF CANADIAN UTILITIES

	Hydro	Nuclear	Thermal		Purchases
			Oil	Coal	
Maritime Electric				23%	77%
Newfoundland (1986)	74%		25%		1%
Nova Scotia (1986)	12%		8%	71%	8%
New Brunswick (1986/87)	15%	30%	15%	5%	35%
Quebec	97%	3%			
Ontario	30%	46%		19%	5%
Manitoba (1986)	99%			1%	
Saskatchwewan (1986)	32%			68%	
British Columbia (1986)	99%				1%
Trans Alta	4%			95%	

EXHIBIT X

N.B. POWER

DIRECT COSTS INCURRED

SEVEN MONTHS TO OCTOBER 31, 1987

¢1/KWH

Generation Source	Fuel	Plant	Depreciation	Total
Hydro	--	0.4	0.1	0.5
Nuclear	0.4	0.9	0.7	2.0
Thermal	3.1	1.4	0.5	5.0
Purchased Power				2.3
AVERAGE COST/KWH				2.5

B. COSTS

An all inclusive unit cost per KWH is shown in Exhibit XI. From this chart it is clear that the costs incurred by N.B. Power to produce a KWH of electricity are substantially above the Canadian composite. This difference is mainly due to the price of fuel. In the period from 1977 to 1984, N.B. Power was fully exposed to oil price increases, particularly once Coleson Cove was added to the network in 1977. Other fossil based utilities, Ontario, Saskatchewan and Alberta were locked into coal along with its associated lower costs. This is clearly demonstrated in Exhibit XII. When fuel costs are removed from the cost equation, N.B. Power compares favourably with the Canadian composite.

Exhibit XIII on the other hand compares the price of fuel between the Canadian composite and N.B. Power. The composite includes the cost of generating power using Hydro, which keeps the composite low. When only fossil generation unit costs are compared, as in Exhibit XIV, N.B. Power is well above the Canadian composite. The composite unit cost is based on Ontario Hydro's large generating stations supplied with coal by unit trains and on Saskatchewan's and Alberta's mine mouth generating stations. N.B. Power on the other hand is reliant on imported oil. As oil prices started to fall, fossil generation costs for N.B. Power started to approach the Canadian composite.

C. PRODUCTIVITY

Labour productivity, measured on energy generation per employee is noted in Exhibit XV. Since 1983, N.B. Power has had a productivity rate in line with the Canadian composite. Productivity at N.B. Power increased with the addition of Point Lepreau due to the added capacity while holding the number of employees constant. This is demonstrated in Exhibit XVI. Even with the addition of extra generation capacity between 1977 and 1987, the number of employees at N.B. Power has only increased

EXHIBIT XI

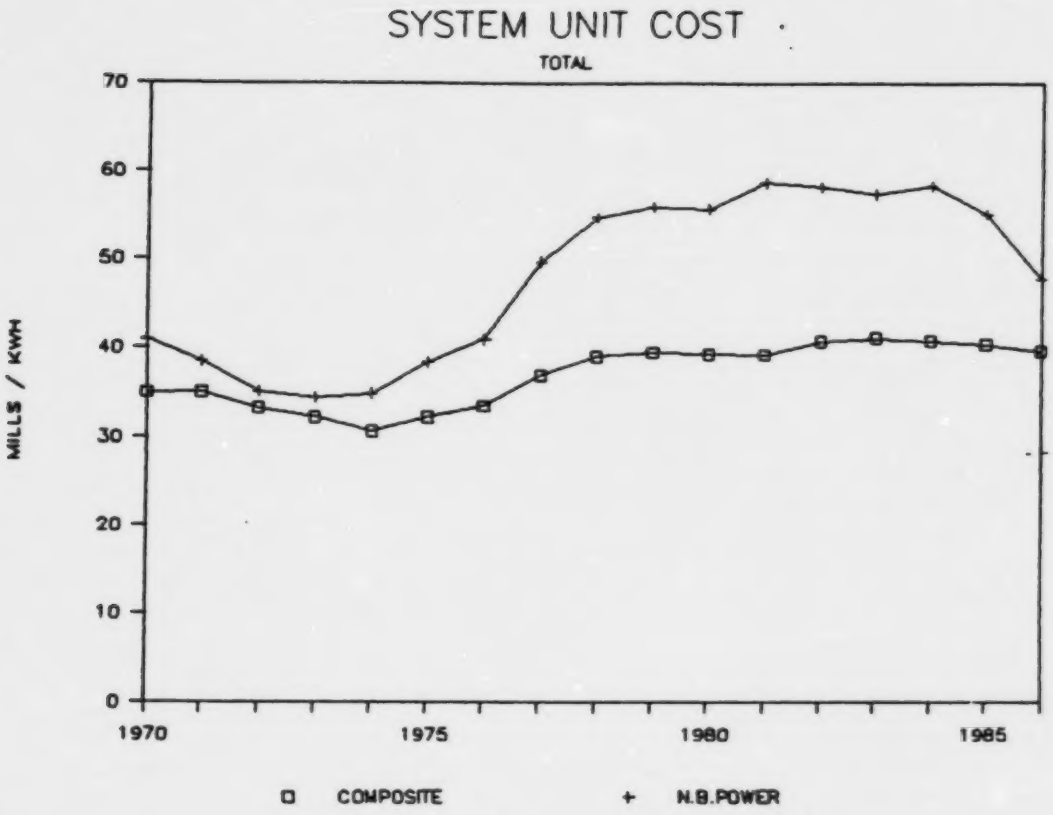

SYSTEM UNIT COST
TOTAL
MILLS / KWH
70
60
50
40
30
20
10
0
1970
1975
1980
1985
COMPOSITE
N.B.POWER

EXHIBIT XII

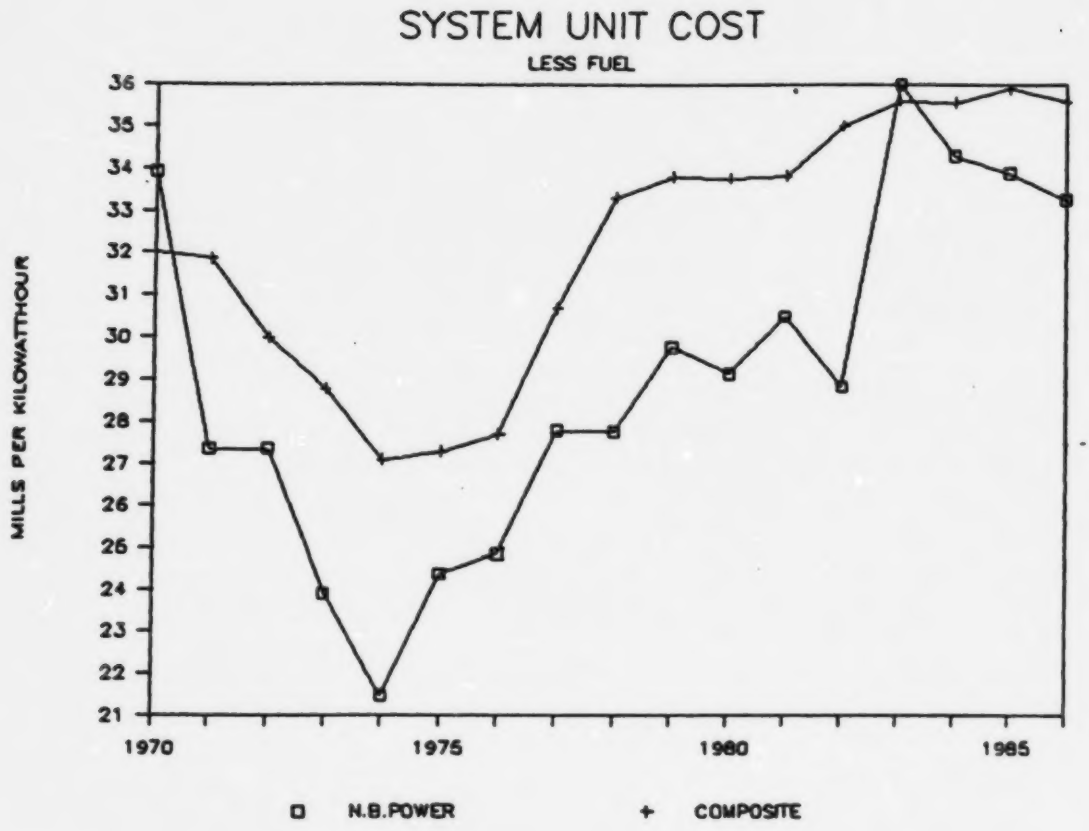

SYSTEM UNIT COST
LESS FUEL
MILLS PER KILOWATTHOUR
36
35
34
33
32
31
30
29
28
27
26
25
24
23
22
21
1970
1975
1980
1985
N.B.POWER
COMPOSITE

EXHIBIT XIII

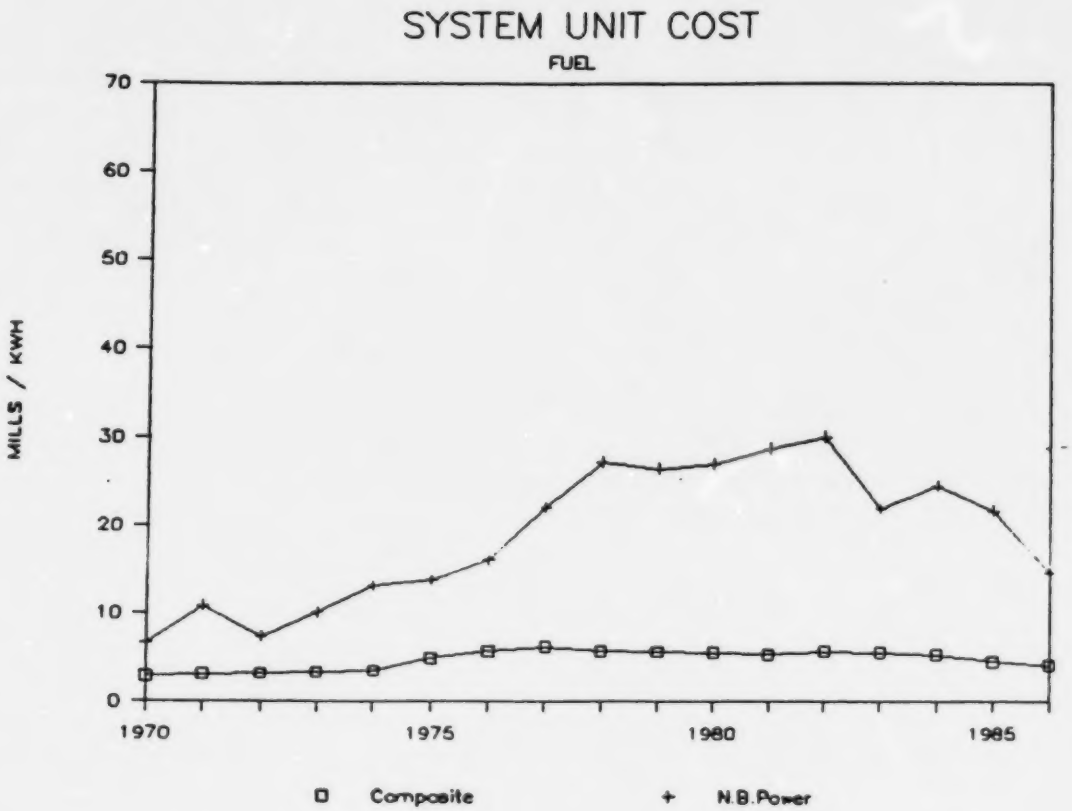


EXHIBIT XIV

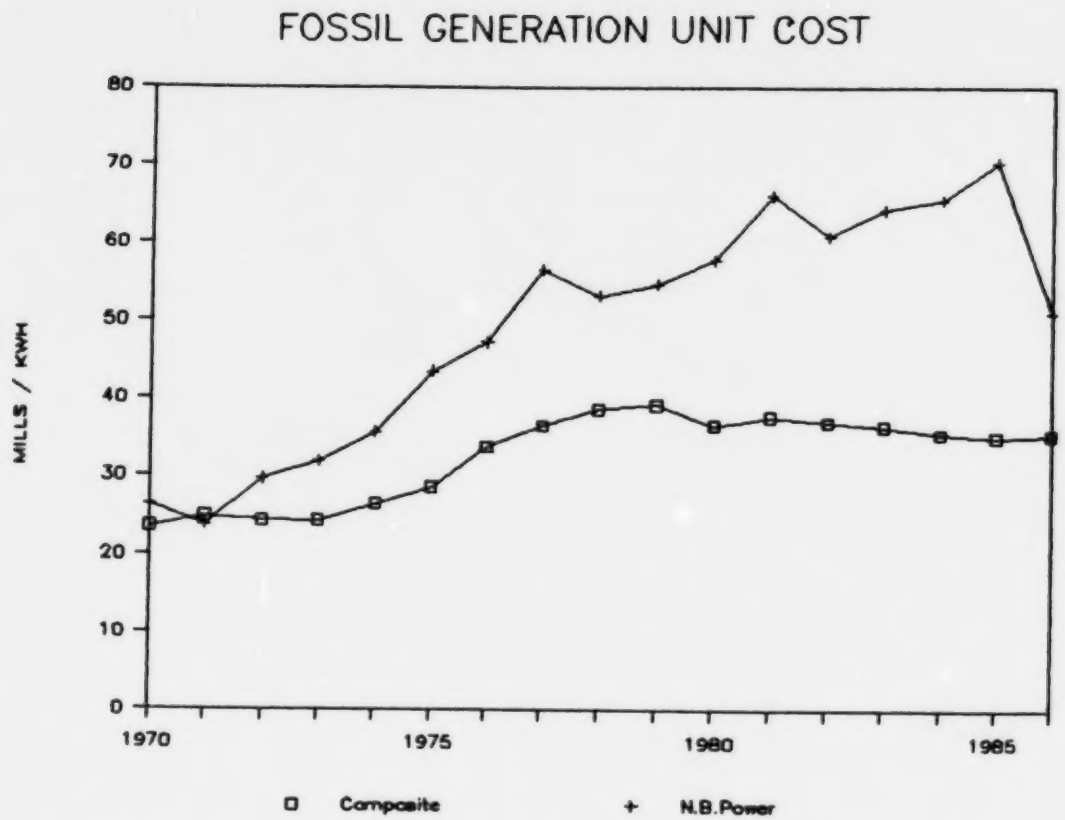

FOSSIL GENERATION UNIT COST
MILLS / KWH
80
70
60
50
40
30
20
10
0
1970
1975
1980
1985
Composite
N.B.Power

EXHIBIT XV

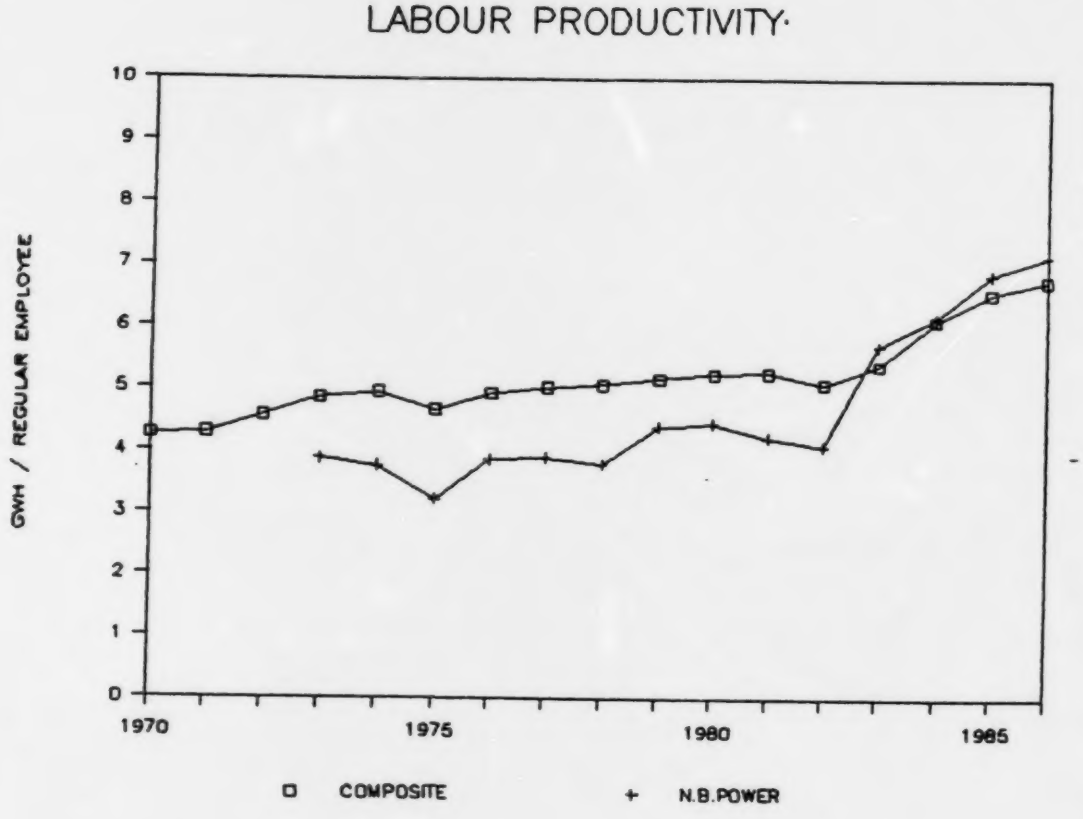

LABOUR PRODUCTIVITY
GWH / REGULAR EMPLOYEE
10
9
8
7
6
5
4
3
2
1
0
1970
1975
1980
1985
COMPOSITE
N.B.POWER

EXHIBIT XVI

Human Resource Population Overview 1977 - 1987

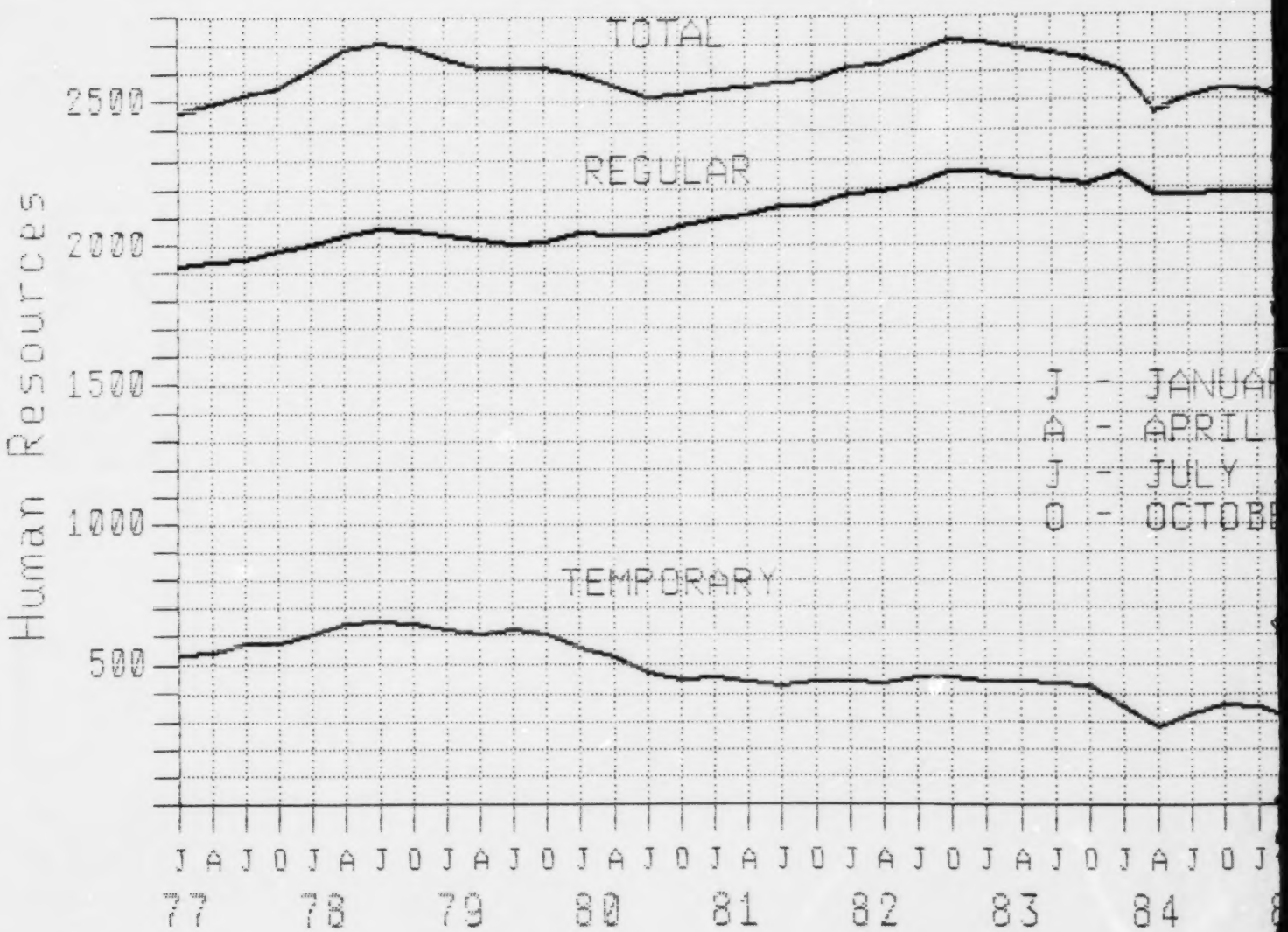
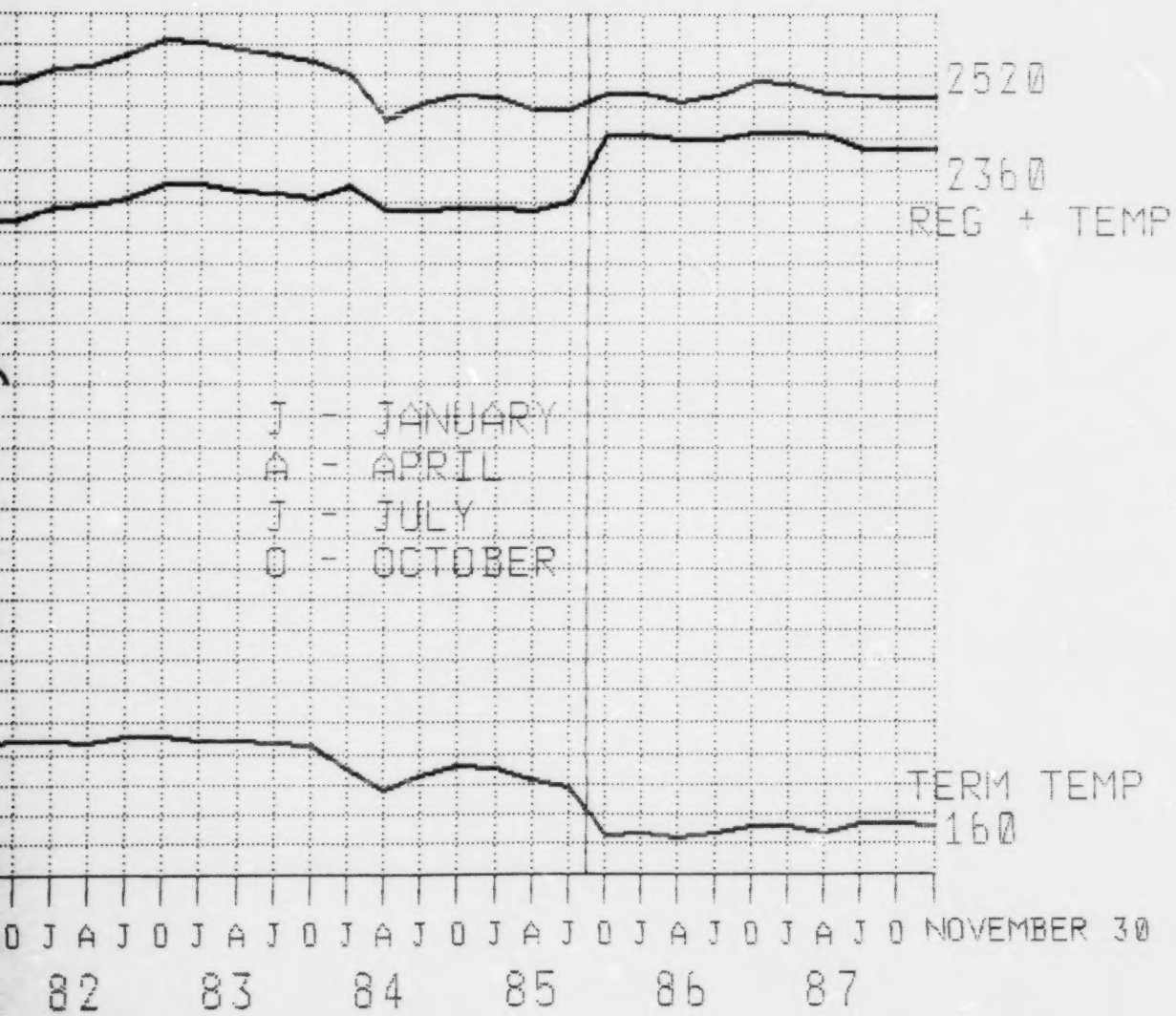

TOTAL
REGULAR
TEMPORARY
Human Resources
2500
2000
1500
1000
500
J - JANUAR
A - APRIL
J - JULY
O - OCTOBE
J A J O J A J O J A J O J A J O J A J O J A J O J A J O J A J O J
77 78 79 80 81 82 83 84

EXHIBIT XVI

urce Populations
verview
77 - 1987


2520
2360
REG + TEMP
J - JANUARY
A - APRIL
J - JULY
O - OCTOBER
TERM TEMP
160
O J A J O J A J O J A J O J A J O J A J O J A J O NOVEMBER 30
82 83 84 85 86 87

slightly. This accounts for the increased productivity in 1983. N.B. Power is now slightly ahead of the Canadian composite.

D. PROFIT

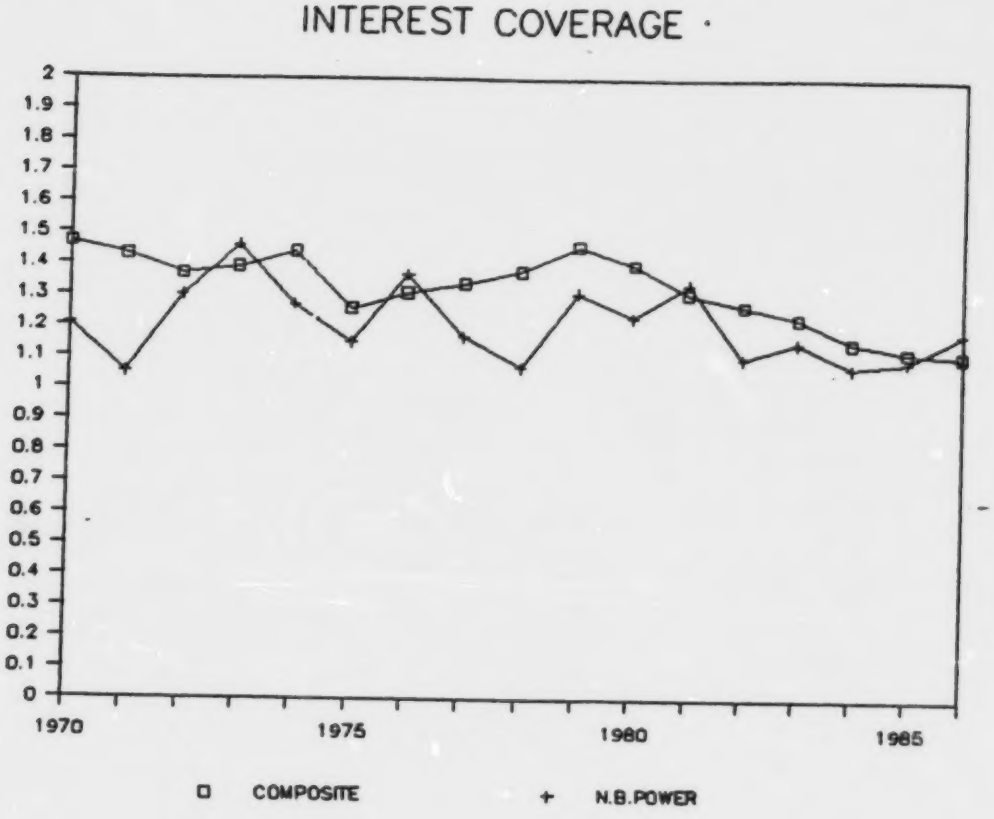
Canadian utilities generally attempt to provide low cost energy while adequately covering all costs. Since the majority of Canadian utilities are publically owned, they are not profit maximizers. The key measure used to gauge a utility's profit performance is interest coverage. This measure, which indicates the utility's ability to pay its interest is calculated by adding net income to gross interest expense and dividing this sum by gross interest. We have excluded Trans Alta from the comparison as this is a private company with a higher interest coverage due to a substantial amount of equity financing.

The table below shows the gross interest coverage by Canadian utilities over the past five years and the latest available year.

	5 Year Average	Latest Year
Hydro Quebec	1.28	1.09
Ontario Hydro	1.23	1.14
Newfoundland and Labrador	1.16	1.15
N.B. Power	1.08	1.09
B.C. Hydro	1.04	1.01
Saskatchewan Power	.99	1.00
Manitoba Hydro	.99	1.09
N.S. Power	1.00	.92

N.B. Power has been near the mid-point of debt interest coverage even with its higher rate structure. Exhibit XVII shows interest coverage by N.B. Power compared to other Canadian utilities.

EXHIBIT XVII



From 1970 to 1985, it can be noted that N.B. Power was generally below the composite, except in years just prior to the completion of large projects when efforts were being made to build up equity. In recent years, the major utilities have been under pressure to reduce net income. This has caused the composite interest coverage to decline.

E. QUALITY OF SERVICE

N.B. Power has established quality of service indicators which are tracked on a company wide basis. At the current time, the company is in the process of computerizing its work order system in Distribution. Once this project is complete, N.B. Power will be able to identify its quality of service at a district office level as opposed to the current company wide level.

Exhibit XVIII below shows the service standards established by N.B. Power and its performance against these standards. In all cases, N.B. Power has performed better than standard. We have not determined whether the standards established compare favorably with other Canadian utilities or whether, in light of the results achieved against the standards, the standards should be made more challenging.

EXHIBIT XVIII
QUALITY OF SERVICE

	Standard Working Days	Performance Average 1986
New Lines	15	8
Line Extensions	60	27
Reconnects	3	1.5
Disconnects	5	3

The reliability of the system for 1986 was .999631. This compares favourably with the Canadian average which is slightly below this level. On average, each customer was interrupted 2.82 times for a total of 3.08 hours. This includes both planned and unplanned outages.

F. CONCLUSION

This section of the report has reviewed the performance of the utility in key areas. The major findings and conclusions of this section are:

* N.B. Power has higher rates and higher costs than the Canadian average due to the higher cost it must pay for its fuel;

* even with a rate structure higher than the Canadian average, N.B. Power has an average interest coverage. With the present cost structure, rates would have to be increased to meet the interest coverage target of 1.25; and

* once the automated work order system is implemented in distribution, the quality of service standards should be reviewed, and perhaps revised to a more challenging level.

VI. ACCOUNTABILITY

In this section of the report we review and analyse the accountability model which currently exists for N.B. Power. We also reviewed two regulatory models and the options open to the Government in regulating N.B. Power.

A. ACCOUNTABILITY

An accountability model for N.B. Power is shown in Exhibit XIX. The New Brunswick Power Commission is accountable to Cabinet by three key processes:

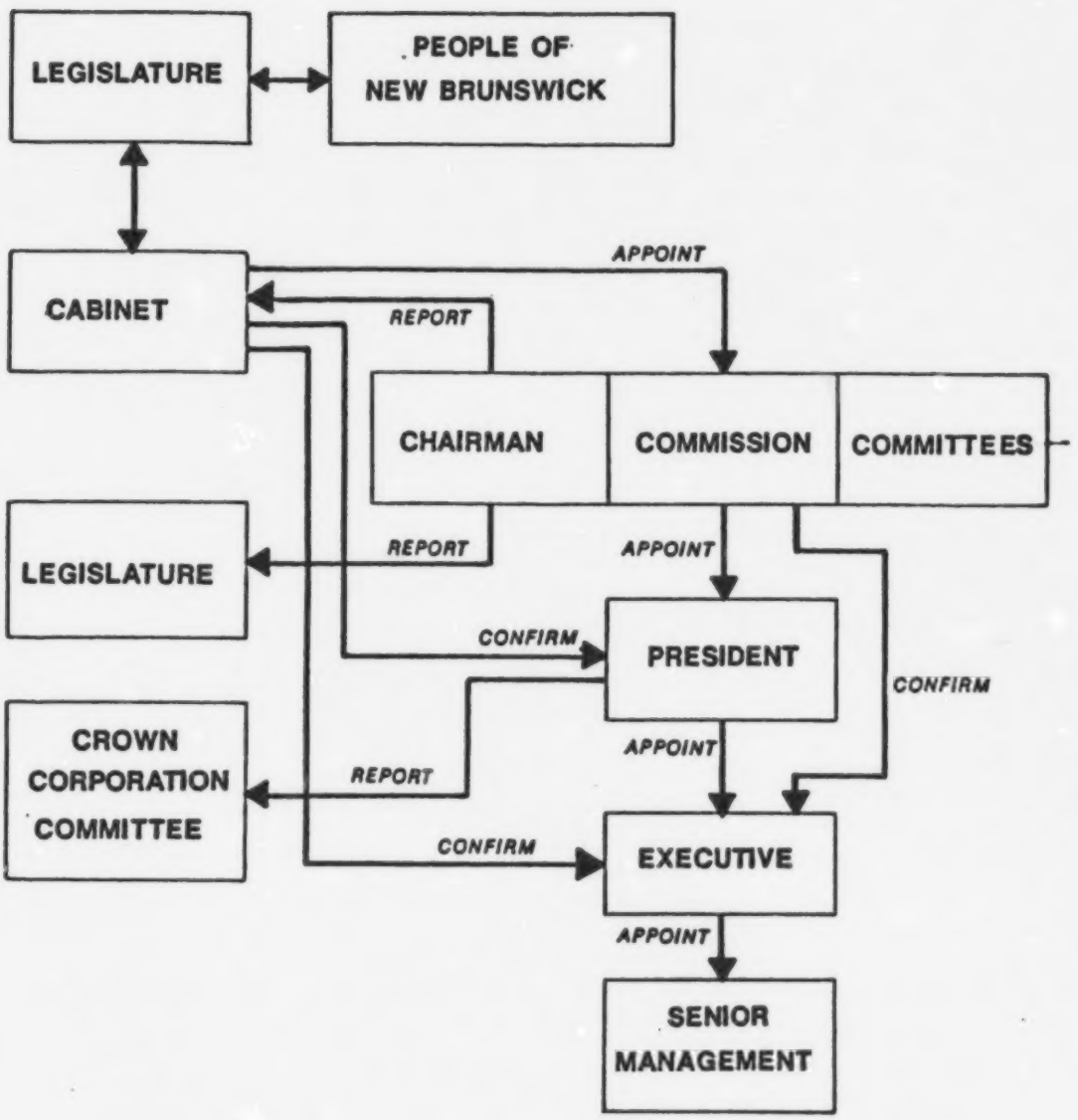
* The Electric Power Act stipulates that Cabinet must approve certain major decisions made by the Commission. Precedent also indicates that rate increases and construction projects are also included in this category;

* The Chairman of the Commission is also a Member of Cabinet and reports to Cabinet regularly on affairs of the Commission; and

* Cabinet has the power to remove and appoint Commission members as well as approve all appointments made to N.B. Power's management.

The President also reports to the Crown Corporations Committee of the legislature and N.B. Power is thus accountable to the people of New Brunswick through the Legislature (Chart XIX).

EXHIBIT XIX


LEGISLATURE
PEOPLE OF NEW BRUNSWICK
CABINET
APPOINT
REPORT
CHAIRMAN
COMMISSION
COMMITTEES
LEGISLATURE
REPORT
APPOINT
CONFIRM
PRESIDENT
CONFIRM
CROWN CORPORATION COMMITTEE
REPORT
APPOINT
CONFIRM
EXECUTIVE
APPOINT
SENIOR MANAGEMENT

The key fault with this process is that there is no direct link between the customers of the utility and the utility. Requests for rate relief, information, or improved service in theory have to go through the legislature or through Cabinet. While other avenues exist such as the Ombudsman, these are considered secondary to the legislature and cabinet.

A means of establishing the link between the utility and the customer is establishing a regulatory board. This would give customers a forum in which to express their concerns about the utility. However, regulation has a cost. An extreme example of a province reacting to the costs of regulation is Saskatchewan. This province recently disbanded the Saskatchewan Public Utilities Review Commission because of its high costs. Including fees for outside consultants, the Saskatchewan Commission's costs averaged $5 to $6 million annually. Saskatchewan Power's costs for electric utility regulation were in the order of $2 million per hearing.

Other regulatory bodies also reacting to cost, are moving toward a concept of less regulation. Recognizing that regulation can be expensive but serves an essential function, the NEB and CRTC are attempting to reduce some forms of regulation. For example the NEB, for one company it regulates, has recently decided to hold a rate hearing only if a complaint is received. Prior to this decision a rate change would automatically lead to a public hearing.

B. REGULATORY MODELS

In industries where a high proportion of fixed production costs leads to the concept of a natural monopoly, regulation has evolved in an attempt to ensure that efficiencies gained by allowing a single provider are passed on to the consumer. However, in attempting to meet this objective, regulatory bodies have taken different approaches to regulation.

i. **The American Model**

Privately owned utilities in the United States appear to be more highly regulated than any Canadian utilities.

The American model involves:

* a strict rate of return on rate base approach.

* a very detailed uniform system of accounts for classifying revenues, cost of service, and rate-base, and for segregating non-jurisdictional costs and activities;

* an extensive body of case law (consolidated in the Public Utilities Reporter) as to how uniform systems of accounts and the terminology has been interpreted in specific cases down to a very specific level of detail;

* a very adversarial, legalistic, and administratively costly approach to public hearings where the rates for filing applications for rate increases and recording questions and evidence are closely adhered to;

* a high degree of delegation by the regulatory body to staff in some cases (such as the Federal Energy Regulatory Commission) involving:

  - the designation of an Administrative Law Judge to hear evidence and make recommendations to the regulatory body (90% of the recommendations are normally approved);

- a pro-active role for staff who may act as witnesses in the proceedings and introduce their own direct evidence subject to the requirement for the individuals to thereafter remain ex parte to any staff advisory role to the Commission;

* facilities applications requiring approval of capital construction programs;

* monitoring activities based on monthly, quarterly or annual reports with the authority to recall the utility if circumstances change; and

* management audits, sometimes lasting a year or more, designed to investigate transactions, operations or management systems and generally leading to recommended cost of service or rate base reductions or recommendations for improved management.

In general, the American model is costly. Both regulatory agencies and regulated companies spend a considerable amount of resources on the regulatory process. As well, regulation has to a large extent made American utilities less efficient than their Canadian counterparts. By not allowing what regulators consider prudent capital expenditures into cost of service, regulators have created an environment of capital risk avoidance. Some American utilities have found it to their shareholders advantage to build small inefficient plants than large efficient capital intensive plants.

ii. The British Model

The American model is at one extreme of regulation. At the other extreme is the evolving British model. In privatizing and regulating

British Telecom, Parliament legislated that rates cannot be increased by more than the rate of inflation minus a few percentage points. British Telecom was then allowed to manage and operate the company with little interference from the regulator.

The regulator is re-exmaning its role and becoming more interested in quality of service, cost, competition and management issues. There is a strong possibility that as this model evolves, the regulator may take on a more interventionist role.

iii. **Canadian Electricity**

Electricity is regulated provincially and most of the utilities are provincially owned corporations. Ontario and Quebec Hydro are illustrative models.

Quebec Hydro is very much an instrument of public policy and though it has its own Board of Directors and raises its own debt capital, it is subject to Ministerial direction, and for practical purposes, is not subject to regulation. There is apparently only one occasion in recent history where the cabinet instructed Quebec Hydro not to proceed with proposed rate increase.

Ontario Hydro, also an instrument of public policy, with its own Board of Directors and own debt, is subject to Ministerial direction. However, proposed rate increases are subject to full public hearings before the Ontario Energy Board which has a mandate to hear evidence and make recommendations to the Hydro Board of Directors. A rate of return on rate-base approach is not used because:

a) its debt is guaranteed by the government;
b) it has many non-revenue producing responsibilities; and

c) it is itself a regulator and standard setter.

Return is set primarily looking at two criteria:

* maintaining a predetermined debt to debt to equity ratio; and

* recovering all cost of service plus interest using a predefined interest coverage ratio.

The objective is to ensure that Ontario Hydro has sufficient cash flow to cover all its debt obligations without diminishing its favourable credit rating or that of the province. Lengthy hearings are held to review costs and wholesale rates and examine the appropriateness of the financial ratios and the way in which they are determined by the company.

The regulator, however, does not review construction programs. The Power Corporation Act of Ontario gives this responsibility to Cabinet. As a result, no further review is performed by the Ontario Energy Board.

C. AVAILABLE OPTIONS FOR REGULATION

There are various options available to the government in regulating N.B. Power. Depending on which options are selected, the government will determine:

* whether the regulatory agency will take a pro-active, interventionist role in the utility similar to the American model; and

* the cost of regulation to the province.

There are five key decisions that the government must make in establishing a regulatory agency:

* when to hold public rate hearings;

* timing of rate increases;

* scope of regulation;

* decision making power of the regulator; and

* the policing powers of the regulator.

Each of these five options is discussed in more detail below.

i. **When to Hold Public Rate Hearings**

The regulator will be responsible for approving and/or establishing the financial framework by which the utility will be regulated, including interest coverage targets and debt to equity ratios. Once this regulatory financial framework is established, the government must decide when to hold rate hearings. The options available to the government include:

* all requests for rate changes would go to Cabinet. Cabinet would then decide whether to allow the rate increase or refer it to the regulator for a public hearing;

* hold a public rate hearing automatically when the utility wishes a rate increase. This process is used in Ontario and is costly and dependent on informed intervenors willing and able to present a case for or against the application;

* hold a rate hearing only if a complaint is received and an intervenor is prepared to make a case against the rate increase, as is done in Manitoba;

* establish a mechanism similar to the Administrative Law judge (a public servant) in the U.S. model where all interested parties can try to negotiate their differences and come to an agreement in front of this public servant, before a public hearing is held. The public hearing would then review the recommendations made by the public servant;

* hold public rate hearings if quality of service, rate increases or financial ratios such as debt interest coverage or debt to equity go beyond a certain threshold (i.e. if rates increase beyond the rate of inflation plus or minus predetermined percentage points).

Holding public hearings is expensive and dependent on intervenors. Any successful attempt to reduce the number of rate hearings will reduce costs of regulation. Some regulators are moving toward a model of holding rate hearings only if a complaint is received. Others are moving further in this direction by establishing dispute settlement proceedings as opposed to full rate hearings.

ii. **Timing of Rate Increases**

The options available to the government are:

* allow rate changes to go into effect immediately after they are announced by the utility; or

* allow rate changes to go into effect only after a regulatory review has determined that rate changes are in the public interest.

The first option gives the company more flexibility in planning its revenue requirements. Regulation can often be unpredictable from a utility's point of view. The environment in which the utility operates can change quickly and regulatory lag, (the time between a utility asking for a rate change and actually receiving it) can prevent a company from reacting to these changes. Regulatory lag is also a major concern of lenders and credit rating agencies, and could have an adverse impact on credit ratings.

If the first option is chosen, the regulator should reserve the right to subsequently reject the rate change. The regulator could order the revenues collected to be refunded to customers.

iii. Scope of Regulation

The options available to the government include subjecting:

* only in-province rates and service levels to regulatory review; or

* all utility activities, including the purchase and sale of power from and to other utilities to regulatory review.

Due to the sensitivities involved in negotiating agreements with other utilities, there is a danger that information released in a public hearing may hinder N.B. Power in future negotiations. As well, due to regulatory lag, management may be restricted in reacting to changing circumstances if it does not have full freedom of negotiations.

As well as determining whether export and import activities should be excluded from the scope of the review, the government must determine whether to:

* subject all utility activities to regulatory review and approval; or

* exclude certain activities such as construction and financing activities

If construction and financing activities are excluded from regulatory review and approval, the regulatory process will be streamlined. However, because these two components have such a large impact on rates, excluding them from the regulatory process may greatly weaken the process.

iv. **Decision Making Power of the Regulator**

The options available to the government are:

* allow the regulator to make their own decisions similar to the CRTC and NEB model; or

* allow the regulator to make recommendations to Cabinet (or the Commission) and give Cabinet (or the Commission) the final decision making powers like in Manitoba (or Ontario).

The NEB and CRTC models assume that the regulator is independent from the political process. These regulatory bodies make their decisions based on evidence tabled. In this model, most of the regulated entities are privately owned corporations.

In the Ontario Energy Board model, the regulator makes recommendations to the Board of Directors of Ontario Hydro on decisions and the Hydro Board makes the final decision.

v. **Policing Powers of the Regulator**

The options available to the government are:

* give the regulator the power to conduct financial and operational audits of the company along with the right to request any information; or

* establish the reporting requirements for the utility to the regulator and not give the regulatory the power of audit.

The CRTC and NEB retain the right to audit the information they receive from regulated utilities. Occasionally, both these regulatory bodies perform limited financial audits on the utilities. The American model goes much further. Regulatory agencies perform management and operational audits of the utilities. These audits often lead to recommendations for improved management systems and structures and to reductions in cost.

As well as the power of audit, the government must determine if the regulatory agency will have the power to call the utility in for a public hearing. In some cases, due to changing circumstances, rates previously allowed may lead to a higher interest coverage ratio or debt/equity ratio than the utility or the regulator had foreseen. In this case it is not likely that the utility would ask for a rate increase. In order to reduce rates, the regulator would need the right to call the utility to a public hearing.

D. CONCLUSION

The current accountability model does not link the customer to the utility except through the political process. Regulation can serve as that link and provide an independent forum in which opposition to rate changes or quality of service can be heard. Before a regulatory agency is established, further study on a suitable regulatory framework for N.B. Power should be carried out.

VII. KEY RISK AREAS

This section deals with the key risk areas faced by N.B. Power. These risk areas include:

* forecast risk;
* oil price risk;
* foreign currency fluctuations;
* plant shut-downs; and
* contingencies.

As agreed, we have excluded export and import risk and the effect of free trade or NEB reform from the scope of our review.

A. FORECAST RISK

Forecasting load demands is a critical element of the business. Due to the capital intensive nature of the industry and the long lead times required to bring a plant into production, forecasts take on a very important significance. Should forecasts prove to be wrong, either plants with a high capital cost will be idle, or, insufficient capacity will exist to meet in-province demand. Both situations are undesirable.

Due to their very nature, forecasts are an educated guess based on many variables. The key factors which affect the accuracy of the forecasts include:

* forecast methodology;

* input parameters (oil, population, wood use, conservation)

* industrial interruptions (strikes, plant closures) and unusual weather.

Load forecasts are broken down into three major components:

* population and number of households (residential);

* general service sector; and

* industrial sector (30% of total in province energy requirements goes to pulp and paper industry).

Of these components, N.B. Power devotes the most effort forecasting sales to its residential market, followed by those to the industrial sector and to the general service sector.

N.B. Power has determined that the level of activity in the pulp and paper industry has important ramifications for electricity sales not only to the industrial sector, but also to the general services sector and to the residential sector. Despite this fact they spend more effort attempting to model the residential sector. Since a limited number of resources are available to perform forecasting analyses, a redistribution of these resources in favour of more analysis of the future industrial sector sales would be appropriate.

There are many ways in which the analysis of the industrial sector could be extended, including a basic econometric modelling of the industrial demand for electricity and further analysis into the future outlook for industrial products. Each of these could improve the accuracy of the overall sales of electricity in New Brunswick.

The company has attempted to get a reading on sales to the pulp and paper sector by interviewing executives of the main players in the industry. This methodology has not proven accurate, probably because of the executive's desire not to divulge their plans (according to N.B. Power).

Exhibit XXI shows the forecasts from 1979 to 1987 along with the actual consumption of electricity. While the 1987 plan predicts that new generating capacity will be needed by 1990, the 1983 plan predicted peak hourly demand in 1992 equivalent to the actual peak in 1986. If the 1983 plan was used, no new capacity would be needed until the late 1990s.

The sensitivity of forecast demands is illustrated by the fact that if forecasts of annual growth rates are wrong by 1/2%, the cumulative effect is:

* 66 MW after five years;

* 148 MW after ten years; and

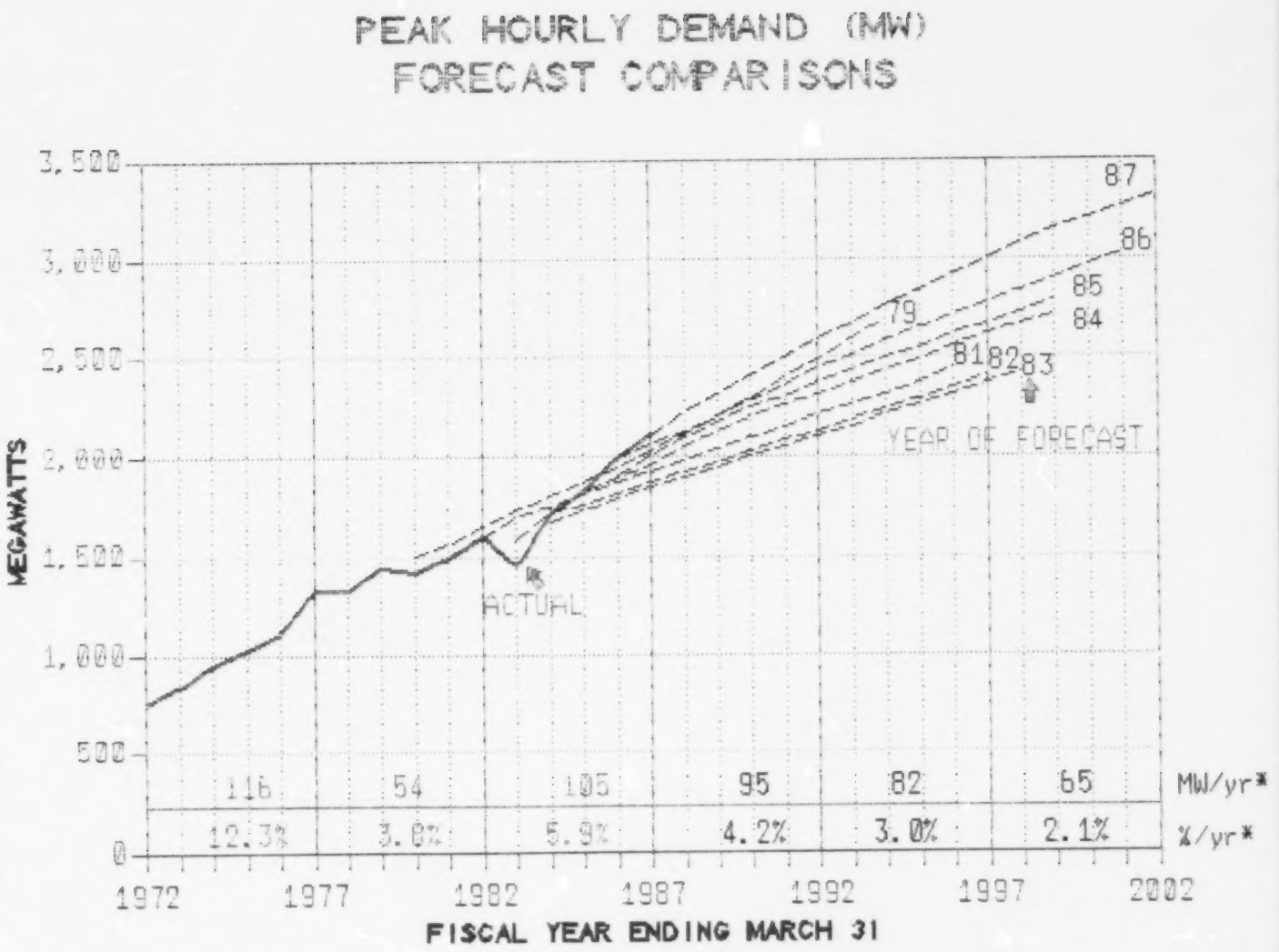
* 250 MW after fifteen years. (The Dalhousie II coal fired plant is 200 MW)

Exhibit XXII shows the load and resource balance for N.B. Power based on the 1987 forecasts. The negative capacity of 7 MW by 1990 growing to 350 MW by 1994 is planned to be covered by the new Hydro Quebec contract. As a result, no new capacity will be needed until the contract expires in 1994.

B. EFFECT OF OIL PRICES

N.B. Power is sensitive to the price of oil. Approximately 47% of current generation capacity is dependent on oil. However, it is seldom that N.B. Power runs on full capacity. Oil fueled plants are the most expensive

EXHIBIT XXI



* Increase over five year periods .

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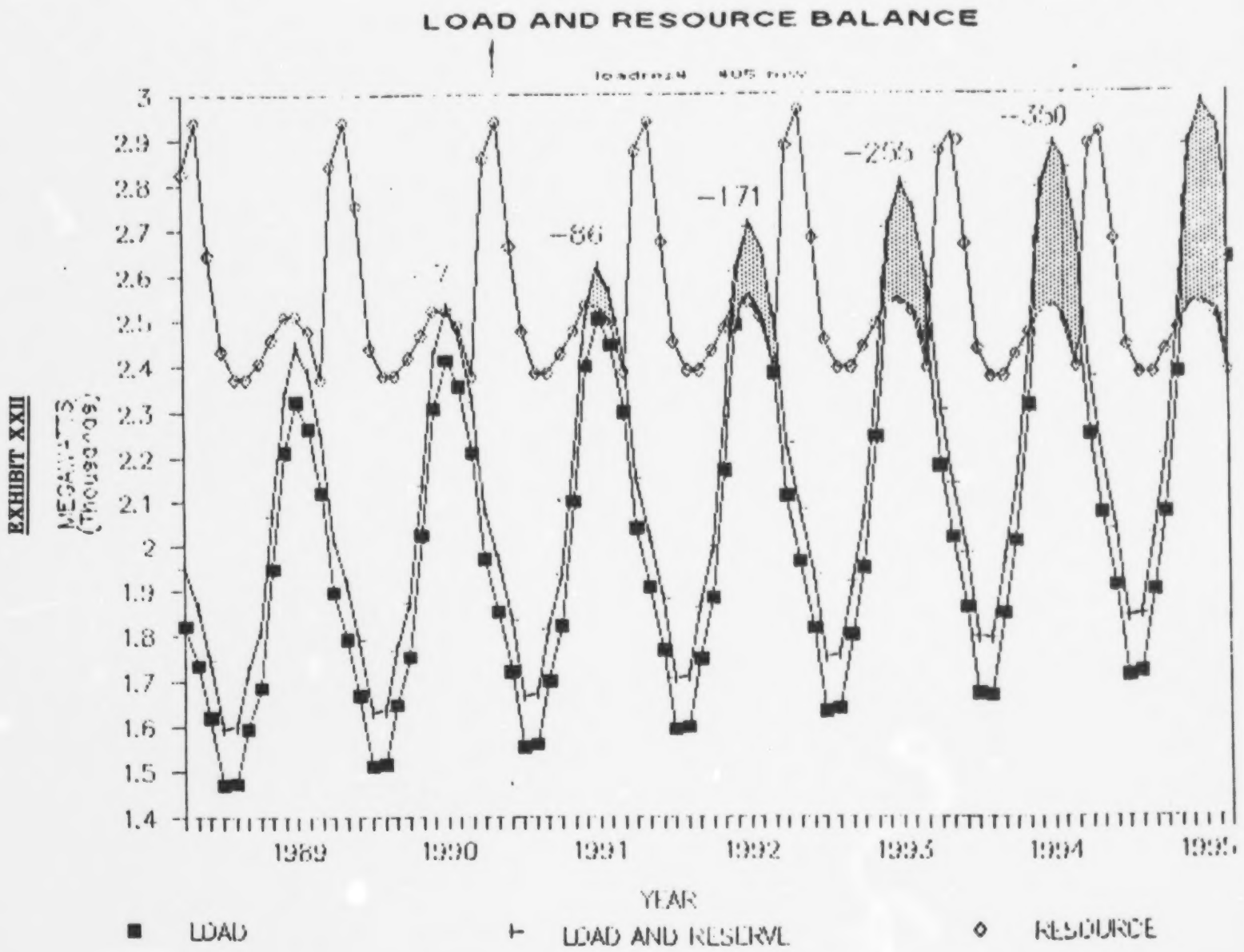
EXHIBIT XXII



plants to run on a marginal cost basis and are the first to be shut down if load demands permit or if power with a lower marginal cost can be purchased from Hydro Quebec.

In order to analyse changes in oil prices, N.B. Power uses a sophisticated forecasting model called "PROSTOR" which simulates production and costs for various outputs and inputs. This model simulates the N.B. Power system as well as interconnect systems to determine production levels, purchase levels and export levels based on marginal costs.

For purposes of the analysis performed in this example, the model used assumed that in province requirements would first have to be satisfied as well as firm export sales. An increase in demand by New England was not modelled into the system based on an oil price increase. This increased demand would have the effect of cushioning the effect of an oil price increase.

Three scenarios were run on the model as follows:

i. **Scenario 1**

No contract is signed with Hydro Quebec for a fixed price and all purchases from Hydro Quebec replacing oil capacity are at 80% of the world oil price, as is presently the case. In this case a $1 U.S. increase in the price of oil would have a $7.91 million effect on N.B. Power.

ii. **Scenario 2**

In this scenario it is assumed that the purchase of firm energy at a fixed price is signed with Hydro Quebec. In this case N.B. Power's exposure to a $1.00 U.S. oil price increase is reduced and the effect on N.B. Power is $4.38 million.

iii. **Scenario 3**

In this scenario, it is assumed that one unit at Colson Cove is converted to burn orimulsion and the contract mentioned above is signed with Hydro Quebec. In this case the effect of the oil price change of $1.00 U.S. is $2.24 million.

C. FOREIGN CURRENCY FLUCTUATIONS

At present, existing debt is denominated in three currencies, Swiss Francs, U.S. Dollars and Canadian dollars. The composition of this debt is as follows:

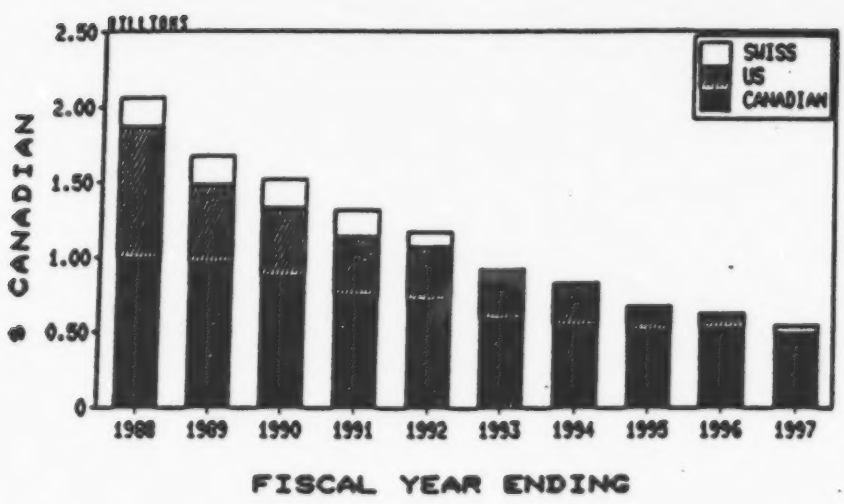
Canadian	1,188,636	47.6%
American	1,096,523	43.9%
Swiss	210,583	8.5%
	2,495,742	100.0%

Due the high level of debt in foreign currency, N.B. Power is exposed to foreign currency fluctuations. The exposure is $4 million for each one cent change between the Canadian and American dollars. This exposure will peak by 1988 and thereafter be reduced.

Exhibit XXIII shows the composition of the current debt net of sinking fund payments and its repayment until 1997. One important factor that must be stated is that these figures do not reflect the effect of replacement debt or new borrowings that will be required during the ten year period of 1988-97.

EXHIBIT XXIII

COMPOSITION OF EXISTING DEBT



From 1988 to 1991, $235 million dollars of U.S. debt ranging in interest from 15 to 17% will be repaid. Assuming this debt can be refinanced at 11%, a saving of $14 million annually can be achieved. This saving figure does not take the amortization of foreign exchange losses into consideration which would have the effect of increasing the savings. Of course, if interest rates increase beyond the 15 to 17% range, then the utility will incur extra costs.

D. EFFECT OF PLANT SHUTDOWN - INDUSTRY

Shutdowns in the industrial sector, and in particular the pulp and paper industry, can have large impacts on the sale of N.B. Power electricity. The pulp and paper industry alone accounts for about 30% of the total in-province demand. Shutdowns can therefore have significant impacts on the need for generating capacity.

Shutdowns can be either short term or long term. Short term closures will typically result from labour strikes. There is no major concern to N.B. Power in this case since revenue continues through the demand charge.

Long term shutdowns can result from slumping prices for the industrial output, unfavourable appreciation of the Canadian dollar or an uncompetitive cost structure of the industry. These long term closures represent a major risk to N.B. Power since they will have direct impacts on revenues while non-direct costs would not change.

E. EFFECT OF PLANT SHUTDOWN - N.B. POWER

In order to minimize the effect of a potential N.B. plant shutdown, a rule of thumb that no plant should be larger than 10% of total Maritime System capacity (approximately 400 MW) is followed by N.B. Power as well as maintaining the generating reserve previously mentioned.

Should a plant fail and N.B. Power could not meet its demand, it would have to rely on its interconnected neighbouring utilities to supply its power. The members of the Northeast Power Co-ordinating Council (NPCC) comprising N.B. Power, Nova Scotia Power, Hydro Quebec, Ontario Hydro and New England Power Pool have agreements to aid each other. Should any single plant have to be closed, the combination of the reserve requirement and purchasing power from the NPCC should minimize power disruptions.

F. CONTINGENCIES

i. Unfunded Past Service Obligation

In a recent estimate prepared by a pension consultant at N.B. Power's request, an unfunded liability of $83.5 million was reported. This amount represents the excess of the present value of pension benefits earned by the employees of N.B. Power for services up to March 31, 1985 less the plan assets. This unfunded liability was confirmed by the latest actuarial valuation of the Public Service Superannuation Plan to be approximately the same amount.

	(Millions)
Benefits earned by employees	$167.7
Plan Assets	84.2
	$ 83.5

It is our understanding that the Public Service Superannuation Act prescribes the contributions which should be made by the Commission and its employees. The Commission has complied with these requirements. Administration of the pension plan and the legal liability for the unfunded portion rests with the Province of New Brunswick although the moral liability for this unfunded portion rests with the Commission.

ii. Nuclear Unit Decommissioning Costs

N.B. Power has not conducted a site specific study to determine the costs of decommissioning Point Lepreau. Instead, the Commission has to date relied on studies completed by Ontario Hydro. The

Commission interpolated on a scale factor basis between the costs of decommissioning four 500 MW reactors at Pickering A and four 750 MW reactors at Bruce A. Ten percent was added to the unit costs derived from this interpolation to account for the cost disadvantage of decommissioning one as opposed to four reactors.

The amount currently recognized by the Commission for nuclear decommissioning and irradiated fuel disposal is $103 million. While this figure is in the "ballpark" when compared with some utilities, other utilities in the U.S. recognize a liability of $200 million. Without a site specific study it cannot be known whether the liability recognized by the Commission is optimistic or conservative.

iii. **Land Reclamation**

N.B. Coal is responsible for restoring lands disturbed through mining since 1977. However, it does not record this legal liability as it arises during the mining operation.

As at March 31, 1987, it is estimated that 700 acres of land have been disturbed and not reclaimed. In addition, during the current seven month period, essentially no reclamation activities were performed while land continues to be disturbed with mining operations. It is estimated that the cost to reclaim an acre of land is $1,200. Therefore, an unrecorded liability of at least $840,000 exists which is not reflected in the financial statements.

Current policy is to record expenses related to reclamation as incurred and does not attempt to match this cost with revenues generated through annual mining activities. Consideration should be

given to a change in this acounting policy whereby the liability and expense are recorded as the land is disturbed in mining.

iv. **Depreciation**

A major depreciation study has just been conducted by N.B. Power which had the effect of increasing income by $913,230 for the seven months ended October 31, 1987. This study covered all of N.B. Power's fixed assets except for thermal plants. As thermal plants have the highest net book value outside of the nuclear power plant, there is a possibility that depreciation for this asset category may be misstated. N.B. Power is in the process of conducting such a study, and the results should be reflected in future financial statements of the company.

G. CONCLUSION

This section of the report has reviewed the key risk areas faced by N.B. Power. The major findings and conclusions of this section are:

* N.B. Power should review the methodology it currently uses to predict electricity requirements by the industrial sector, particularly pulp and paper;

* N.B. Power is currently exposed to the effect of changing oil prices. While the utility has benefitted from downward pressures in oil prices, forecasts call for increased oil prices in the 1990s. N.B. Power could reduce this impact by continuing its off-oil program;

* N.B. Power has over 50% of its debt in foreign currency. As a result it has an exposure of $4 million to each one cent change between the Canadian and American dollars;

* Repayment of high cost debt by 1991 could save the utility $14 million annually before amortization of foreign currency losses assuming that refinancing can be achieved at 11%. Should the cost of money be higher than 11%, this saving would be reduced. If interest costs are higher than 15 to 17% when the refinancing occurs, interest expense would be higher than the current level before the amortization of foreign currency losses.

* N.B. Power has an unfunded liability of $83.5 million for its past service pension cost. While the legal liability rests with the Province, the moral liability rests with N.B. Power for these employees;

* No site specific study has been conducted of the Point Lepreau Generating Station. As a result it cannot be determined whether nuclear decommissioning costs and the liability established are optimistic or conservative;

* A reclamation liability of $840,000 has not been recorded on the books of N.B. Coal; and

* Depreciation studies by N.B. Power for thermal plants are not yet complete. As a result, there is a possibility that depreciation for this portion of plant may be misstated.

VIII. FINANCIAL STRENGTHS

This section of the report reports on the financial strengths of N.B. Power and analyses:

* debt/equity ratios;
* reserves;
* plant in service;
* key agreements; and
* province's location

A. DEBT EQUITY

Standard and Poors level of debt for single "A" investor owned utilities range from 44-52% debt to equity. The guarantee of the province allows for a much higher level of debt to be acceptable to the financial community.

In comparison to the other major utilities, N.B. Power's debt/equity structure is comparable and much in-line with industry results. Debt/equity ratios are of lesser importance to credit rating agencies than are the interest coverage ratios, as debt/equity is more of an indicator of historic performance than a determinant of future earnings. However, those utilities with higher equity levels have less financial risk.

Thus, this ratio is important but not the sole determinant of financial standing. N.B. Power is aiming towards the target of 80/20 (90/10 in times of high level construction) but is now experiencing levels common to all utilities examined.

Setting a debt to equity ratio of 80/20 is in line with all utilities except for Hydro Quebec and B.C. Hydro. Both of these utilities have established debt to equity ratios of 75/25. Manitoba and Nova Scotia have not established any debt to equity targets.

Actual debt to equity ratios for the latest fiscal year are as follows:

Hydro Quebec	76/24
Ontario Hydro	84/16
Newfoundland	90/10
N.B. Power (March 31, 1987)	84/16
B.C. Hydro	94/6
Saskatchewan Power	87/13
Manitoba Power	95/5
N.S. Power	95/5

B. RESERVES

N.B. Power has established a reserve called the Generation Equalization Reserve. This reserve, totalling $250 million as at October 31, 1987 is composed of two parts:

* operations - each month the actual production of hydro and nuclear is compared to the long term expected production. An adjustment is made on the basis of the surplus or deficit based on the average cost of thermal generation. To date charges to income based on operations have amounted to $98.8 million to October 31, 1987;

* appropriations - each year end, the balance of the reserve is compared to the possible exposure and an appropriation is made to the reserve within the financial means of the Commission in that year. To date, $152 million has been appropriated to the reserve.

The reserve is established by the Commission with the aim of being taken into income when either the hydro generation or nuclear generation is below average and more expensive thermal generation capabilities have to be used as a substitute.

The target which has been established for this reserve is as follows:

* Hydro - the target for the maximum appropriation to the hydro related portion of the generation equalization reserve has been set as three years of record low water or 3,600 GWH. The record low water year was 1,200 GWH below average. The longest recorded period of low water was a continuous 21 month period during which hydro generation was 2,500 GWH below average; and

* Nuclear - the record long outage for a Candu reactor has been four years at Pickering in Ontario. The development of tooling by Ontario Hydro and AECL would likely reduce the interruption to three years. If the 230 MW sale to New England is in force, the loss exposure will be 2838 GWH per year or 8514 GWH for three years. If the New England sale is not in force, total exposure is 4450 GWH per year or 13350 GWH for three years.

Taking these two criteria, total exposure ranges between 12114 GWH and 16,950 GWH. The replacement cost of this energy can be calculated using the present and projected price of oil.

In 1986/87 the average price of heavy fuel oil was Canadian $22.30 per barrel. By 1991 it is forecast to be $31.00 per barrel and by 1995 $43.00 per barrel.

Using the 1986-87 oil prices and with the 230 MW of participation, the target is $426 million. By 1991, the exposure is $828 million, assuming no participation sales. By 1995 this exposure grows to $960 million again assuming no participation sales. It is therefore likely that given favourable financial conditions, the Commission will allow the reserve to grow.

C. PLANT IN SERVICE

Over the past ten years, approximately 65% of the present generating capacity has been constructed. This means that current plant is relatively new and using efficient up-to-date technologies.

Name	Capacity	Fuel Type	Date
Coleson Cove	1000 MW (3 x 335 units)	Oil	1976-77
Point Lepreau	630 MW	Nuclear	1982
Dalhousie II	200 MW	Coal	1979
Mactaquac 5 & 6	200 MW	Hydro	1979
	2,030 MW		

Out of a total capacity of 3,190 MW, 2,030 has been added in the last ten years. Relatively new plant means that operating and maintenance costs can be kept at reasonable levels in future years.

D. LOCATION

One of the key factors that must be considered when reviewing the asset base of N.B. Power, in particular the generation plants, is their physical distribution throughout the province.

The province's location, its large coastline, and the location of N.B. Power's generating plants throughout the province are positive elements.

A listing of N.B. Power generation stations is as follows:

Type	No. of Plants	No. of Units	Capacity KW
Hydro	6	23	865,300
Nuclear	1	1	630,000
Oil/Coal	5	15	1,665,865
Turbine	1	1	25,000
Diesel	1	5	3,811
TOTAL	14	45	3,189,976

i. Hydro

One of the few drawbacks to using hydro in generating energy is that the location of hydro units are geographically limited and their actual generation capabilities are extremely depedendent upon weather. Therefore the actual physical location of the six hydro generation facilities of N.B. Power should be considered a positive factor because of their relative proximity to major urban areas of the province and hence lower transmission costs.

ii. Oil/Coal

The fact that both oil and coal are bulk commodities means that transportation/distribution costs are an important factor when evaluating them as potential energy sources. All of the generation facilities that use these commodities are ideally situated near water, (except Grand Lake) which allows the commodities to be shipped in bulk in the most efficient means possible. Grand Lake is

located adjacent to proven indigenous coal reserves which also means transportation costs are relatively inexpensive.

iii. **Nuclear**

The fact that approximately 30% of the generation capacity of Point Lepreau is destined for purchasers in New England means its physical proximity to this area is ideal, resulting in a relatively low transmission distance.

The fact that the generation facilities of N.B. Power are fairly well dispersed geographically throughout the province means there is less likelihood of any major catastrophe severely impairing the generation capacity of N.B. Power. Another major advantage that should also be considered is the transmission ability of N.B. Power. Redundancy is built into the transmission system so that in the event of a line shutting down there is more than one way to transmit and receive energy throughout the province.

iv. **Other Systems**

The geographic location of the province between Quebec and New England has enhanced the provincial system. Being able to purchase from Hydro Quebec and sell to New England has helped stabilize the current rates charged in-province.

E. CONCLUSION

This section of the report analyzed the financial strengths of N.B. Power. The major findings and conclusions of this section are:

* the debt to equity ratio target established by N.B. Power of 80/20 is in line with Canadian utilities and the current debt to equity ratio of 84/16 is second only to Hydro Quebec; and

* the generation equalization reserve currently at $250 million will be allowed to grow by the Commission if financial conditions permit.

IX. ASSET BASE

The fixed asset base has been discussed in a previous section of this report. This section of the report reviews:

* hydro generation;
* key agreements; and
* insurance.

A. HYDRO GENERATION

Current hydro generation has a capacity of 865 MW. This makes it larger than the Point Lepreau nuclear station with its capacity of 630 MW. However, the generating capacity of hydro fluctuates throughout the year and is heavily dependent on rainfall. Unlike other provinces, N.B. Power has inadequate reservoirs which can store water and regulate water flows on the Saint John River. Attempts have been made in the past to build reservoirs in Maine where the river has its head waters. Unfortunately, the project was not allowed to proceed due to environmental concerns.

Unless adequate reservoirs can be built to store water, hydro operation in the province will fluctuate with the season and weather patterns. If cost effective, new efforts should be made to determine if the regulatory climate has changed sufficiently in Maine to build reservoirs.

B. KEY AGREEMENTS

N.B. Power has entered into various agreements with other utilities. The key agreements are:

1. Point Lepreau Unit Participation Agreements.

2. Dalhousie Unit No. 2 Agreements.

3. Interconnection Agreements.

Other agreements:

4. Capacity Agreements

5. Transmission Agreements.

6. Power Purchase Agreements.

These agreements should not be judged in isolation, although for our purposes each was reviewed for specific liabilities and potential risks to N.B. Power. When viewed as a whole, these agreements represent a unique operational framework and environment that provides N.B. Power with both a flexibility and commitment to purchase and sell power with other utilities.

i. Point Lepreau Unit Participation Agreements:

Agreements have been signed with the following U.S. based utilities:

1. Massachusetts Municipal Wholesale Electric Co.
2. Commonwealth Electric Co.
3. Eastern Maine Electric Co-op.

4. Boston Edison Co.

The intent of the Agreements is to:

* minimize financial risk and exposure regarding the construction and operation of the Point Lepreau Nuclear Generating Station;

* share in all costs regarding the operation of Point Lepreau; and

* dedicate an explicit amount of output from Point Lepreau to the purchasers.

These agreements are a unique way of reducing the cost and risk of operating such a large generating facility. A potential downside to N.B. Power would be the lack of renewal of these agreements which expire on October 31, 1988. At that time the New England utilities have options to renew the agreement for three one year periods.

If the intent of the agreements with the New England utilities was to reduce the financial and operation risk of owning Point Lepreau, one year renewal options are not the most effective means of accomplishing this. If possible, longer term agreements should be negotiated.

In establishing its equalization reserve, N.B. Power recognizes the risk that the nuclear plant may be out of service for three years. It is unlikely that the New England utilities would renew their options if the plant was not operating. As a result, risk of ownership has not been substantially reduced.

ii. **Dalhousie Unit No. 2 Agreements:**

The Agreements (Ownership Participation, Buyback and Non-Alienation) were signed between N.B. Power and Maritime Electric (P.E.I.) Ltd. and Maritime Electric Co. Ltd.

The intent of these agreements is similar to the Point Lepreau Unit Participation Agreements, the minimization of financial risk. However the one real exception is that the P.E.I. utilities actually own 10% of the Dalhousie Unit No. 2 for its estimated useful life of thirty years and therefore are required to pay their share of the operating and maintenance costs in return for 10% of the generation from this plant.

Both the Point Lepreau and Dalhousie Unit No. 2 Agreements are similar in that a specific percentage of generating output is dedicated to certain purchasers in return for a certain percentage of the Operating and Maintenance and other defined costs being borne by the purchasers. The only difference is that the Point Lepreau agreement is a short term agreement versus the long term Dalhousie No. 2 agreement.

iii. **Interconnection Agreements:**

Agreements have been signed with the following participants:

1. Eastern Maine Electric Co-operative.
2. Nova Scotia Power Corporation.
3. Maritime Electric Co. Ltd. & ME (P.E.I.) Ltd.
4. Maine Public Service Co.
5. Hydro Quebec
6. Central Maine Power

These agreements are basically umbrella operating agreements that call for cooperation between participants. The two basic principles outlined in them are:

1. Participants agree to provide emergency power to one another upon request.

2. Participants agree to supply surplus power to one another and improve economies of scale with respect to power production.

The Interconnection Agreements define how the price of power will be costed and the various types of power that could be supplied. As such, these agreements represent a commitment by all participants to supply and purchase power at predetermined rates.

C. INSURANCE

N.B. Power incurs policy premiums of almost $6 million a year. Approximately $3.5 million in premiums is paid to ensure the Point Lepreau generating station. The remainder is primarily for plant and third party liability. The justification for purchasing insurance is that N.B. Power is not large enough to absorb a major loss such as Point Lepreau or Coleson Cove. The management of N.B. is satisfied that the current insurance coverage is adequate.

D. CONCLUSION

This section of the report reviewed hydro generation capacity, key agreements and insurance. The key findings and conclusions of this section are:

* due to the lack of water reservoirs, hydro generation fluctuates throughout the year. Political feelers should be extended to Maine

to determine if the regulatory climate has changed sufficiently to allow reservoirs to be built; and

* if possible the participation agreements for Point Lepreau should be renegotiated to cover a longer period of time.

X. MONITORING AND REPORTING OF RESULTS

This section of the report will discuss and analyze:

* external reporting; and

* internal reporting.

A. EXTERNAL REPORTING

The external reporting by the Commission consists of the annual financial report. This report is geared toward the financial results of the utility and is not a complete accountability document. The utility, like many publicly owned companies, is not a profit maximizer. As a result, reporting on financial results alone will not satisfy legislators, regulators or the general public.

In an effort to improve public sector accountability, the Canadian Comprehensive Audit Foundation has developed a framework consisting of 12 attributes designed to expand traditional reporting. This framework is designed to allow orgnaizations to report on their effectiveness. N.B. Power could use this framework to report on an annual basis to the legislature, a potential regulator, and to the people of New Brunswick. The attributes relevant to N.B. Power recommended by the Canadian Comprehensive Audit Foundation are:

* **management direction:** the extent to which the objectives of an organization, its component programs or lines of business, are clear, well-integrated and understood, and appropriately reflected in the organization's plans, structure, delegations of authority and decision-making processes. This would be similar to Section III of this report.

* **appropriateness:** the extent to which the design of a program or its major components, and the level of effort being made, are logical in light of the specific objectives to be achieved. For example, the appropriateness of the construction management philosophy, generating mix and level of production at N.B. Coal would be covered in this section.

* **achievement of intended results:** the extent to which goals and objectives have been realized. This would be similar to Section V of this report.

* **acceptance:** the extent to which the constituencies or customers for whom a program or line of business is designed judge it to be satisfactory. This could be measured in the case of N.B. Power by the number of complaints received or by public surveys.

* **secondary impacts:** the extent to which other significant consequences, either intended or unintended and either positive or negative, have occurred. N.B. Power should report its impact on the provincial economy and its impact on the environment in terms of SO_2 emissions.

* **costs and productivity:** the relationships among costs, inputs and outputs. N.B. Power could compare itself to other Canadian utilities in terms of its costs and outputs and labour productivity.

* **responsiveness:** an organization's ability to adapt to changes in such factors as markets, competition, available funding or technology. For example, N.B. Power's effort to reduce its oil dependence is in response to changing oil prices would be covered by this attribute.

* **financial results:** the matching of, and the accounting for, revenues and costs and the accounting for and valuation of assets, liabilities and equity. This could consist of the traditional financial statements.

* **working environment:** the extent to which the organization provides an appropriate work atmosphere for its employees, provides appropriate opportunities for development and achievement, and promotes commitment, initiative and safety.

* **protection of assets:** the extent to which important assets - such as sources of supply, valuable property, key personnel, agreements, and important records or information - are safeguarded so that the organization is protected from the danger of losses that could threaten its success, credibility, continuity, and perhaps, its very existence. This would cover items such as nuclear safety and insurance coverage.

* **monitoring and reporting:** the extent to which key matters pertaining to performance and organizational strength are identified, reported, and carefully monitored.

B. INTERNAL REPORTING

Exhibit XXIV on the next page provides a model of the internal reporting within N.B. Power. In tracing information provided to the Commission at a Committee level and full commission level, we found the information to be adequate and timely in order for the Commission to make informed decisions.

C. CONCLUSION

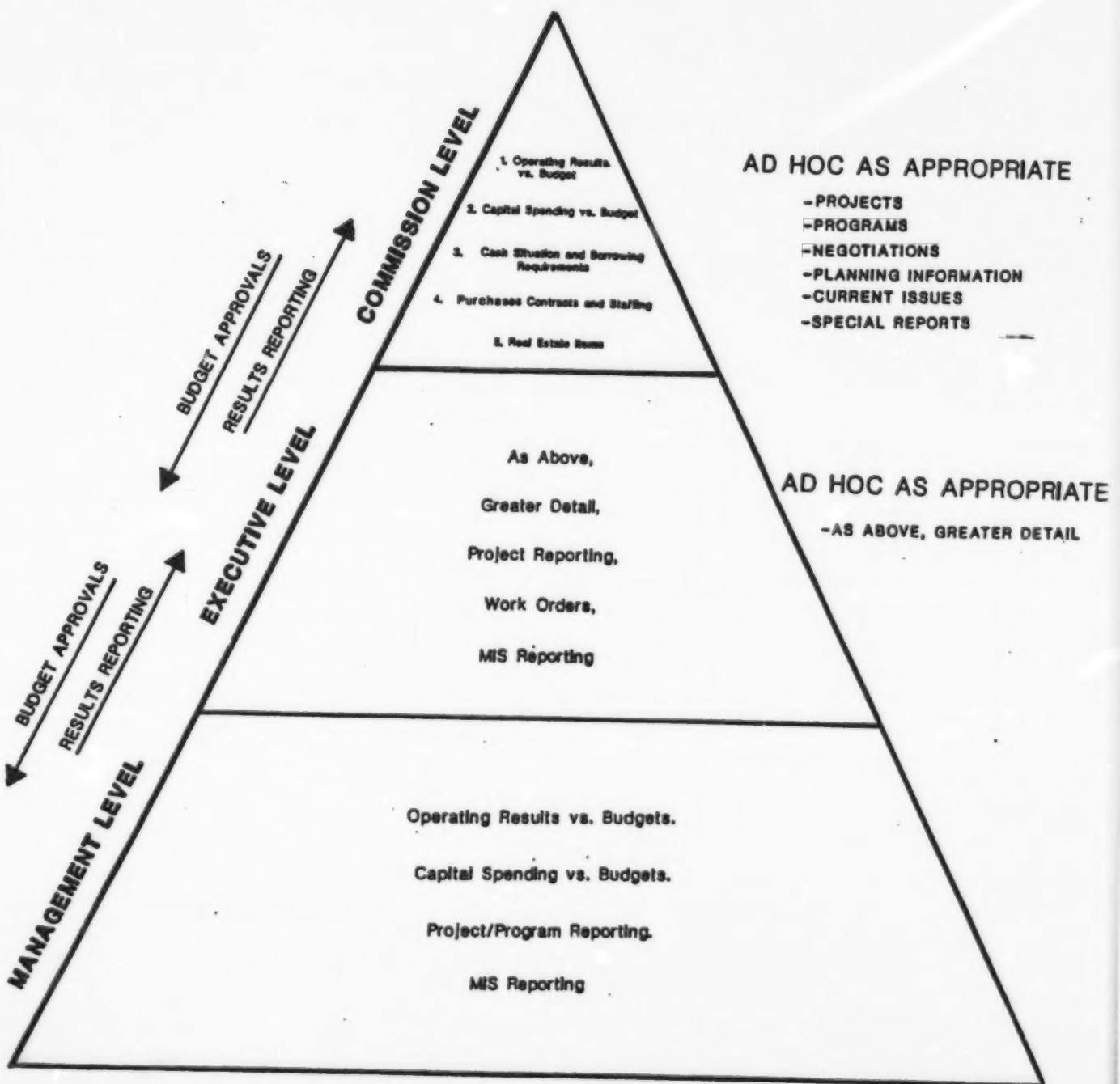
This section of the report dealt with internal and external reporting. The conclusions and findings of this section are:

* internal reporting is adequate for decision making purposes; and

* a reporting framework similar to the one established by the Canadian Comprehensive Auditing Foundation should be used by N.B. Power for external reporting to supplement its annual financial report.

EXHIBIT XXIV

INTERNAL REPORTING



XI. FINANCIAL REVIEW

This section will review:

* accounting policies used by the Commission;
* the financial review for the seven month period; and
* review of forecasts.

In our review we found the financial statements to be plausible and prepared in accordance with Generally Accepted Accounting Principles. The forecasts of financial results to the end of the fiscal year were also found to be plausible.

A. ACCOUNTING POLICIES

The accounting policies used by the Commission are generally accepted by the Canadian Institute of Chartered Accountants and by utility practice. These accounting policies are skewed toward the smoothing of income. They have been accepted by the Commission to ensure financial stability, keep rates from fluctuating, and ensure that present users of the Commission's services are not subsidizing future users and vice versa.

Some of the more significant accounting policies are described and analyzed in this section.

i. Interest Capitalization

Policy - Interest during construction is capitalized monthly based on the cost of long-term borrowing.

Application - Interest is calculated on the direct and overhead costs associated with the capital project.

Analysis - it is a generally accepted practice by Canadian electric utilities to capitalize interest during construction. The rationale is that until the asset is used and useful all costs associated with the asset should be capitalized and paid for by future users of the service. Between March 31, 1974 and March 31, 1983 $505.8 million of interest has been capitalized. The majority of this capitalization relates to construction of the Dalhousie, Coleson Cove and Point Lepreau generating stations. During the seven month period ended October 31, 1987 capitalized interest amounted to $1.7 million.

ii. **Overhead Capitalization**

Policy - Administration and other expenses are capitalized during construction by applying a portion of such overheads to direct construction costs incurred each month.

Application - Annually N.B. Power determines an overhead allocation rate for capital projects by comparing budgetted overhead costs to total budgetted capital expenditures. Monthly these absorption rates are applied to all direct expenditures incurred excluding interest.

Analysis - It is a generally accepted practice in Canadian electric utilities to capitalize a portion of overhead costs, the rationale being the same as for interest capitalization.

Every two to four years N.B. Power has a review performed to determine the relationship between administrative costs and capital projects for the purpose of including incremental overhead costs in the total cost of the assets being constructed. The most recent

study was performed by an independent auditing firm for allocation during the 1987/88 fiscal year.

Over the ten year period ending March 31, 1987 there has been $48.3 million of overhead capitalized with the annual capitalized portion ranging between $3.9 and $5.8 million.

iii. **Depreciation Other Than Nuclear Plant Depreciation**

Policy - Depreciation is provided for all assets sufficient to amortize the cost of such assets, less estimated salvage value where applicable, over their remaining estimated service lives.

Application - Assets are classified by main categories of which each category is assigned on estimated service life upon which depreciation is calculated. The plant records maintained by N.B. Power are adequate for depreciation purposes.

Analysis - Depreciation is a generally accepted accounting principle. Periodically reviews of the remaining estimated service lives are performed based on engineering estimates, and examination of other Canadian electric utilities. Such a study was recently completed which resulted in a change in some estimates effective April 1, 1987. This change in estimated service lives for the seven month period ending October 31, 1987 resulted in depreciation expense being reduced by $913,230 over depreciation that would have been charged for the same period based on the previous estimates of the previous estimates of service life. The study conducted on the service life of assets excluded thermal plant. Thermal plant service life will be studied in future periods.

iv. **Nuclear Unit Depreciation**

Policy - The nuclear generating station is depreciated using an escalating charge method with annual increases based upon a 3% factor. The estimated service life of the nuclear generating station from the time of start-up is 30 years.

Application - Given the magnitude of the dollars involved in the construction and resulting depreciation of this asset, the Commission has attempted to account for the time value of money through the escalation factor and thereby equate generation with the real cost of using energy generated by the nuclear plant.

Analysis - The escalating depreciation method is an attempt to ensure that present users do not subsidize future users of Point Lepreau. In future years as interest charges decrease, depreciation will increase.

Hydro-Quebec and Ontario Hydro are the only other electric utilities in Canada which have nuclear units. Hydro-Quebec depreciates their nuclear station using the sinking fund basis on an interest rate of 3%. Ontario Hydro uses the straight-line basis. Estimated service lines are 30 and 40 years respectively.

The nuclear unit depreciation expense for N.B. Power for the seven months ended October 31, 1987 amounted to $20.6 million.

v. **Other Deferred Charges and Deferred Development Costs**

Policy - Survey and engineering expenses relating to construction projects being considered are deferred until a project is authorized for construction by N.B. Power. Such costs, together with certain training costs, are then amortized against future income either

directly or by annual depreciation charges resulting from certain items being capitalized. If a project is discontinued all applicable costs are charged to income in the year.

Application - Each project is tracked separately and all associated costs for the project are deferred until a decision is made on whether to continue or discontinue the project.

Analysis - the principle of deferring development costs is generally accepted as it matches the revenue with total costs of producing that revenue including development expenditures. However, in rate-regulated environments, the motivation to defer material expenditures is strongly driven by the philosophy to recover all costs through establishing appropriate rates. Therefore unanticipated expenditures are deferred and included in future rate setting decisions.

The major current component of other deferred charges is $1.6 million in expenditures relating to the Coleson Cove conversion. The deferral of these expenditures are in accordance with generally accepted accounting policies.

vi. **Nuclear Unit Decommissioning**

Policy - In order to provide for the estimated future costs of decommissioning the nuclear generating station to return the site to a state of unrestricted use, N.B. Power annually charges income with amounts calculated to be adequate, when accumulated with interest, to cover the total costs of this future activity as it occurs. The decommissioning requirements are on the basis of equal annual amounts over the life of the unit.

Application - A deferred asset and liability was set up in the accounts at the time the nuclear unit was placed into service. This

represented the total estimated amounts required to be collected over the life of the unit to cover decommissioning activities. The asset is annually reduced by the straight line charge. The liability is increased by an interest charge compounded annually on amounts collected.

Analysis - To date no nuclear power station has been decommissioned with the exception of some small test facilities. Therefore, projected costs are highly subject to the assumptions and estimates used.

The most recent study completed by the Commission in May, 1985, uses an Ontario-Hydro study as its basis. The estimated unit costs ($/MW) of decommissioning activities were estimated by interpolation on a scale factor basis between the costs of decommissioning the Pickering A (4 x 500 MW) and Bruce A (4 x 750 MW) nuclear generating station. Ten percent was added to the unit cost resulting from this interpolation to account for the cost disadvantage of a one reactor compared to a four reactor station. The estimated annual security, surveillance and maintenance cost during the 28 year "storage with surveillance" period were taken to be the same ($7.2 M) as that for four reactor stations.

To date no site-specific study has been completed on Point Lepreau to determine if the liability established is reasonable.

vii. **Irraditated Fuel Management**

Policy - In order to provide for the estimated future costs of permanently disposing of irradiated nuclear fuel, N.B. Power annually charges income with amounts calculated to be adequate,

when accummulated with interest, to cover the total costs of this future activity as it occurs. The annual charge for irradiated fuel is related to the amount of nuclear fuel consumed.

Application - A deferred liability is increased annually for amounts collected from customers based on the estimated future disposal costs of fuel consumed during the current year and by compounded annual interest calculated on the accumulated liability.

Analysis - The cost associated with irradiated fuel disposal is highly speculative. Current costs are based on storing the irradiated fuel in pools then transporting the fuel 2,000 kilometres to a disposal facility. AECL is advocating the replacement of pools with concrete cylinders. If this idea is accepted, then some of the capital costs associated with the disposal of the irradiated fuel may be eliminated. If such is the case, the Commission may be overstating its liability.

viii. **Revenue**

Policy - N.B. Power accrues revenue monthly in respect of items earned but not billed.

Application - Billigs to residential and general service customers are rendered monthly on a cyclical basis. This necessitates a month end accrual for these consumers equal to approximately one half of this revenue. The Commission uses a degree day calculation to accrue this revenue.

Analysis - It is a generally accepted accounting principle to recognize revenue as earned. However, the Canadian electric utilities are inconsistent in their policy adopted as some accrue as earned where others record only upon billing.

The current degree day policy by N.B. Power became effective April 1, 1985. This change in policy required an adjustment to Retained Earnings of $12,864,744 for March 31, 1986.

ix. **Sinking Fund**

Policy - The Minister of Finance of the Province of New Brunswick, as Trustee for N.B. Power, maintains a sinking fund for all debenture issues requiring same. Sinking fund earnings are reflected in N.B. Power's income. N.B. Power debentures held in the fund are not cancelled until maturity. N.B. Power also has some debentures outstanding which have redemption features. These debentures are redeemed, the bonds are cancelled and the gain on loss on redemption is recognized in income immediately.

Application - The amount of the accrual is supplied by the Minister of Finance as Trustee to the fund. The assets held in the sinking fund are recorded at amortized cost and adjusted for related discounts, premiums and foreign exchange where applicable. The sinking fund is recorded as a reduction against long term debt.

Analysis - This policy is adopted in accordance with generally accepted accounting principles. The Canadian electric utilities apply gains or losses to income either based on the policy adopted by N.B. Power or through deferral and amortization over the period to maturity of the debt.

As at October 31, 1987, the sinking fund amounted to $411.3 million and income earned during the seven month period on this fund amounted to $24.3 million.

x. Generation Equalization Adjustment

Policy - In order to equalize the fluctuations in generating costs caused by variations from average water flow conditions and nuclear operating performance, N.B. Power annually charges or credits income with an amount calculated to adjust such costs to an average value. The offsetting deficit or credit is included in the generation equalization reserve account. The calculation of the adjustment is based on historical water flow data compiled over a period of 35 years and on the performance expectations of the nuclear generating station developed from comparable industry statistics and the operating experience of the nuclear unit itself.

Application - The water flow data compiled is used to calculate a forecast of average water flow per month. N.B. Power adjusts income monthly for variations from this average generation capacity.

The nuclear equalization component is based on a total average generating capacity of 80.3% over the life of Point Lepreau.

The variance from monthly average generating capacity is multiplied by the current price of oil as deficiencies in hydro and nuclear are substituted by thermal generation.

Analysis - Equalization adjustments are used by some Canadian electric utilities to avoid significant fluctuations in annual rates and to ensure expenses are matched to the revenue collected as revenue requirements are set based on budgets at the beginning of the period.

The policy of water equalization was adopted by N.B. Power in 1954. The nuclear equalization component was adopted in 1983 when Point Lepreau was brought on line.

During the seven months ended October 31, 1987, the net effect of below average water flows and above average nuclear generation was a debit from the generation equalization reserve and a credit to net income in the amount of $11.7 million.

xi. **Generation Equalization Reserve**

Policy - In addition to the annual adjustment to generation cost (generation equalization adjustment), N.B. Power as it deems advisable, increases the generation equalization reserve by appropriations from earnings invested in the business.

Appropriations are made to ensure that the reserves are sufficient to cover the cost of replacement power in the event of unfavourable water flow conditions and nuclear operating performance for an extended period.

Application - Appropriations are a subjective figure determined by management and approved by the Commission.

Analysis - Generally accepted accounting principles require that reserves be created solely from equity. This policy is followed by N.B. Power. Other Canadian electric utilities use reserves for rate stabilization consistent with N.B. Power's policy.

xii. **Economy Sales Stabilization Account**

Policy - N.B. Power's power rates are established annually to recover its operating costs and a return on its investment consistent

with prudent financial management. Each year certain factors, relating to economy sales transactions, which are largely outside the control of N.B. Power, may result in costs or revenues which vary from those originally included in the calculation of revenue requirements. N.B. Power accounts for such variations through an Economy Sales Stabilization Account.

Application - The difference between the actual and budgetted earnings on economy sales is removed from income to this deferred account. The deferrals are then amortized to income over the next three years.

Analysis - Many Canadian electric utilities use rate stabilization accounts or reserves. In this manner they can include these unexpected revenues or expenses in the rate making process and amortize the deferrals to income in the same year they are included in the rate setting.

This policy was adopted by N.B. Power in 1982.

xiii. **Unrealized Foreign Exchange**

Policy - Monetary liabilities denominated in foreign currencies are translated to Canadian dollars at rates of exchange prevailing at the balance sheet date except where such items have been hedged by the acquisition of a forward exchange contract, in which case the rate established by the terms of the contract is used in the translation. Unrealized losses or gains arising on translation of long term items are amortized to income on a straight-line basis over the remaining life of the related monetary liabilities. The unamortized balance of the deferred exchange gains or losses is accumulated in an unrealized foreign exchange account which is shown on the balance sheet under deferred charges.

If a debenture issue is redeemed prior to maturity and replaced with the proceeds of a new issue, the unamortized bond issue and expense and foreign exchange; if material, will continue to be amortized. The amortization period will depend on the circumstances of the renegotiation.

Application - The capital intense nature of operations requires substantial access to long-term financing. Quite often N.B. Power is forced into markets outside of Canada to obtain funds and thus becomes exposed to material exchange gains and losses which only become realized at the time of repayment.

Analysis - The translation, deferral and amortization policies followed by N.B. Power are in accordance with generally accepted accounting principles. This policy has also generally been adopted by other Canadian electric utilities.

Two debt issues were refinanced during the current period. The total unamortized foreign exchange at the time of refinancing amounted to $30.5 million. This realized exchange will be amortized over the life of the renegotiated debt.

xiv. **Debenture and Note Discounts and Issue Expenses**

Policy - N.B. Power amortizes debenture and note discounts or premiums and the expenses of issues over the lives of the issues to which they pertain.

Application - the bond discount/premium and expense is amortized on a straight line basis for debt due at maturity. For issues with repayments throughout the life of the debt, the amortization is based on the outstanding debt.

Analysis - This policy is a generally accepted accounting principle.

As noted under the policy for unrealized foreign exchange, when debt is redeemed prior to maturity with the proceeds of a new issue the discount and issue expenses associated with the old debt continue to be deferred and amortized over the life of the new debt issue. The two debt issues refinanced in the current period had a total of $1.5 million in unamortized discounts unamortized at the time of the refinancing.

CONCLUSION

The accounting principles adopted and their application by N.B. Power are significantly skewed towards stabilizing rate setting. It is a stated objective of the corporation to stabilize rates and promote equity between current and future in-province customer groups.

As rates are set annually at the beginning of the fiscal year, based on the management philosophy of recovering operating costs and a prudent return on its investment, any material fluctuations in actual operations from the budgets used to establish rates would cause mismatching of the revenue against expenses. Thus accounting policies are established which tend to defer both costs and revenue and achieve the stated objective of stability and equalization.

This is particularly evident in the generation equalization reserve and the economy sales stabilization account.

B. REVIEW OF EARNINGS TO OCTOBER 31

A summary statement of earnings (Exhibit XXV) attached has both revenue and costs calculated on a dollar/MWH basis. Revenue is up 8.5% due mainly to an increase in export sales. A large portion of these sales -

known as economy sales are interruptible and non-contract. These sales arise due to New England utilities finding it cheaper to purchase N.B. power as opposed to producing their own. During the year the oil price increase made some New England plants less economical than N.B. Power plants.

Direct costs are up substantially in two areas:

1. fuel costs
2. purchased power.

Fuel costs comprised of oil, coal and nuclear fuel increased dramatically as oil/coal energy generation was up. This was due to poor water flows experienced in the summer of 1987 which caused very low hydro generation compared to the previous period.

In addition, this made purchased power more attractive as costs of purchased power are calculated at 80% of oil generation costs.

EXHIBIT XXV

	October 31 MWH		October 31 ($millions)		$ / KWH	
	1987	1986	1987	1986	1987	1986
Sales						
- In-province	5,547,000	5,269,000	293.2	277.6	.053	.053
- Export	4,000,000	4,411,000	182.7	160.2	.046	.036
- Other			10.4	10.5		
	9,547,000	9,680,000	486.3	448.3	.051	.046
Direct Costs						
- Fuel	4,939,000	4,444,000	73.3	48.8	.014	.011
- Purchased Pover	4,195,000	4,071,800	97.8	64.7	.023	.016
- Plant Operations	6,244,000	6,493,000	63.1	57.8	.010	.009
Distribution			20.1	20.9	.003	.003
Administration			27.0	25.6	.004	.004
Depreciation			46.9	45.6	.007	.007
Finance Costs			142.6	155.4	.023	.024
Decommissioning	↓	↓	1.2	1.2		
	9,547,000	9,680,000	472.0	420.0	.049	.043
Income before Adjustments			14.3	28.3	.0015	.0029
Equalization Adjustments			7.9	<12.7>	.0008	<.0013>
			22.2	15.6	.0023	.0016

All other costs remained fairly consistent based on generation, but income before adjustment was down substantially due to the use of higher cost generation sources.

C. REVIEW OF BALANCE SHEET

We have reviewed the comparative balance sheets as at October 31, and havbe analyzed all major variances. Much of these are explained through the analysis of accounting policies and other sections of this report. Those areas not covered elsewhere in this report include:

i. Inventory; and
ii. Accounts Receivable Provision

i. Inventory

Inventory is comprised of items as detailed on Exhibit XXVI.

The increase in inventory of approximately $10 million is caused by an increase in the holding of fuel oil (up 52%) caused by increased usage (93%). Management policies on holding certain levels of inventory varies with:

1. Expected usage
2. Market price changes
3. Storage capacity
4. Current output of N.B. Coal (coal inventory only)
5. Length of time to fabricate (nuclear fuel only)

Compared to prior periods and the current level of usage, the inventory level is reasonable.

EXHIBIT XXVI

	October 31 ($ Millions)		Supply on Hand (Based On Usage)	
	1987	1986	1987 (Months)	1986 (Months)
Coal	13.5	13.2	6.0	7.4
Fuel Oil	24.6	16.1	3.7	4.7
Nuclear Fuel	14.8	17.9	12.0	12.0
Materials & Supplies	19.8	16.1	--	--
Reels and Drums	0.6	0.4	--	--
	73.3	63.7		

ii. **Accounts Receivable Provision**

The provision for doubtful accounts was reviewed at October 31, 1987 by analyzing the method of calculating the provision, examining the report of large power accounts at October 31, 1987 and by looking at historical trends in write-offs. For general and residential customers the provision is approximately $200,000 in excess of the historical account write-off average of $800,000. Thus for these accounts, the provision is conservative. The large industrial accounts were examined because of their magnitude, and the provision is satisfactory. Thus, overall the provision appears to be more than adequate for covering such accounts that require write off.

D. REVIEW OF FORECASTS

We have reviewed N.B. Power's net income and energy generation forecasts for the period from November 1, 1987 to March 31, 1988 to determine if such forecasts are plausible. During this period, N.B. has projected a $7 million loss before adjustments mainly due to fuel cost increases. This is compounded by increased use of thermal generation as hydro generation is minimal in this period. N.B. Power's projections tend to be conservative due to:

* Point Lepreau projections for generation are made at approximately 80% capacity factor while it has been operating at above 90%; and

* Export sales are projected conservatively due to inability to accurately determine economy sales.

These two factors will be adjusted through the equalization adjustments if they vary significantly from expected amounts.

Projected net income for the year is set at $14.4 million which is considerably lower than fiscal 1986/87 mainly due to:

* increased use of thermal generation because of poor water flows experienced during the year; and

* higher oil prices.

Projected costs are reasonable based on mix of generation. In-province energy sales are projected to increase approximately 3.6% for the year which is reasonable given a customer base increase to October 31, 1987. Export sales are forecasted to decline 6% which is due primarily to an unusually high level of economy energy sales experienced in 1986 during a 6 week shut down of Maine Yankee.

EXHIBIT XXVII
NBEPC
REVIEW
OCTOBER 31, 1987

Summary of Actual/Projections to March, 1988

	($ Millions)			MWH			$/MWH
	Actual to Oct. 31/87	Projected to Mar. 88	Total	Actual to Oct. 31/87	Projected to Mar./88	Total	
Sales							
- In-Province	293.2	264.0	557.2	5,547,000	5,086,000	10,633,000	.052
- Export	182.7	111.3	294.0	4,000,000	2,489,500	6,489,500	.045
- Other	10.4	8.0	18.4	--	--	--	
	486.3	383.3	869.6			17,122,500	.051
Direct Costs:							
- Fuel	73.2	110.1	183.3	4,939,000	4,976,600	9,915,600	.018
- Plant Costs	63.1	35.6	98.7	6,244,000	5,814,200	12,058,200	.008
- Purchases	97.8	61.4	159.2	4,195,000	2,329,800	6,524,800	.024
Administration	47.0	46.4	93.4			12,058,200	.008
Finance Costs (Incl. Depreciation)	190.9	136.8	327.7			12,058,200	.027
	472.0	390.3	862.3			17,122,500	.050
Income Before Adjustments	14.3	(7.0)	7.3			17,122,500	.0004
Equalization Adjustments	7.9	(0.8)	7.1			17,122,500	.0004
NET INCOME	22.2	(7.8)	14.4			17,122,500	.0008

APPENDIX I

FINANCIAL STATEMENTS TO OCTOBER 31, 1987

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

N. B. COAL LIMITED

DATE 11/12/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000500

BALANCE SHEET

AS AT OCTOBER 31 1967

ASSETS	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
FIXED ASSETS					
12 HYDRO PLANTS	237,519,537	237,443,513	76,024	232,812,963	4,705,574
14 THERMAL PLANTS	496,187,064	496,170,758	16,306	495,121,793	1,065,271
16 DIESEL PLANTS	4,380,067	4,380,067		4,380,067	
18 NUCLEAR PLANTS	1,489,883,808	1,489,883,808		1,480,953,470	8,930,338
21 POWER GENERATING STNS	2,227,969,476	2,227,878,146	91,330	2,213,268,293	14,701,183
24 TRANSMISSION SYSTEM	163,967,453	164,096,125	-128,672	162,137,507	1,829,946
25 SUBSTATIONS	207,386,933	206,713,976	672,957	200,289,949	7,096,984
26 DISTRIBUTION SYSTEM	335,380,369	332,177,753	3,202,606	304,133,200	31,247,169
27 OTHER PROPERTIES	31,653,798	31,653,798		28,224,257	3,428,541
28 COMMUNICATION EQUIP	7,340,013	7,188,890	151,123	7,144,127	195,886
29 MOTOR VEHICLES	20,744,522	21,202,514	-457,992	18,802,439	1,942,083
30 OFFICE EQUIPMENT	12,002,617	11,871,541	131,076	10,933,461	1,069,156
31 TOOLS AND EQUIPMENT	4,990,660	4,990,660		4,293,145	697,515
34 TOTAL FIXED ASSETS	3,011,435,841	3,007,773,413	3,662,428	2,949,227,378	62,208,463
36 LESS CONTRIBUTIONS	-73,433,066	-73,279,034	-154,032	-36,074,100	-37,358,966
39 TOTAL LESS CONT	2,938,002,775	2,934,494,379	3,508,396	2,913,153,278	24,849,497
41 LESS ACCUMULATED DEP	-670,702,841	-664,485,232	-6,217,609	-594,764,339	-75,938,502
44 TOT LES CON & AC DEP	2,267,299,934	2,270,009,147	-2,709,213	2,318,388,939	-51,089,005
46 CONSTR IN PROGRESS	85,489,571	83,089,321	2,400,250	44,267,494	41,222,077
47	2,352,789,505	2,353,098,468	-308,963	2,362,656,433	-9,866,928

DATE 11/12/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000501

BALANCE SHEET

AS AT OCTOBER 31 1987

ASSETS	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
FIXED ASSETS					
LAND&LDGS&PLANT&EQUP AT COST LESS ACC DEPS					
14 CONSTR IN PROGRESS	2,352,789,505	2,353,098,468	-308,963	2,362,656,433	-9,866,928
CURRENT ASSETS					
18 CASH AND BANK	5,775,360	7,409,600	-1,634,240	1,207,601	4,567,759
19 WIRING ADVANCES	108,252	103,461	4,771	101,206	7,046
20 TEMPORARY INVESTMENTS	349,144	326,696	23,048	2,608,543	-2,259,399
22 CASH & SHORT TERM INV	6,232,756	7,839,183	-1,606,427	3,917,350	2,315,406
ACCOUNTS RECEIVABLE					
25 REVENUE ACCRUAL	12,031,000	10,054,000	1,977,000	12,374,312	-343,312
26 POWER	63,661,011	61,339,139	321,872	56,709,606	6,951,405
27 RETAIL	23,676,760	21,741,173	1,935,587	21,354,693	2,322,067
28 MISCELLANEOUS	3,096,033	4,202,344	-1,118,310	1,389,100	1,694,933
29 EMPLOYEES	5,397	-2,607	8,004	157,740	-152,343
30 WIRING FINANCE	2,932,800	2,937,707	-4,907	2,552,719	380,081
31 EMPLOYEE PURCHASE	549,834	521,086	28,748	383,228	166,606
32 UNCOLLECTIBLE	-3,784,886	-3,694,785	-90,101	-4,484,203	699,317
33 HOME INSUL LOANS	2,512,626	2,536,536	-23,910	3,220,652	-708,026
34 RECOV SYNCRUDE LEVY					
35 ACC INT LS TERM INVST	161,676	124,413	37,263		161,676
37 TOTAL ABOVE RECV	104,830,251	101,759,005	3,071,246	93,657,847	11,172,404
38 OTHER RECEIVABLES	-1,895,595	-2,653,493	757,898	55,667	-1,951,262
40 NET RECEIVABLES	102,934,656	99,105,512	3,829,144	93,713,514	9,221,142
INVENTORY					
43 INVENTORY COAL	13,578,826	12,681,382	897,444	13,281,510	297,316
44 INVENTORY FUEL OIL	24,590,642	26,191,366	-1,600,724	16,176,273	8,414,369
45 INVENTORY MAT&SUPP	19,832,694	20,995,946	-1,163,252	16,097,765	3,734,929
46 INVENTORY REELS&DRUMS	582,983	556,932	26,051	451,038	131,945
47 INV NUCLEAR FUEL	14,837,778	14,364,352	473,426	17,887,596	-3,049,818
48 INV HEAVY WATER	-109,462	-55,807	-53,655	-247,239	137,777
52 TOTAL INVENTORY	73,313,461	74,734,171	-1,420,710	63,646,943	9,666,518
54 TOT CASH RECV & INV	182,480,873	181,678,866	802,007	161,277,807	21,203,066

DATE 11/12/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000502

BALANCE SHEET

AS AT OCTOBER 31 1987

	ASSETS	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
	PREPAID EXPENSES					
11	PREPAID INSURANCE	1,499,400	1,970,711	-471,311	1,302,227	197,173
12	PREPAID TAXES	2,864,677	4,297,010	-1,432,333	2,709,970	154,707
13	PREPAID ACCTS-OTHER	20,925	20,925		20,925	
14	PREPAID ACCTS-DISC					
15	WORKERS COMP	-24,607	826	-25,433	-44,925	20,318
16	VEHICLE OPS	-1,404,370	-792,493	-611,877	-46,866	-1,357,504
22	PREPAID EXPENSES	2,956,025	5,496,985	-2,540,960	3,941,331	-985,306
25	TOTAL CURRENT ASSETS	185,436,898	187,175,851	-1,738,953	165,219,138	20,217,760
	DEFERRED CHARGES					
29	ECONOMY SALES STAB AC				630,383	-630,383
30	UNAMORT FOREIGN EX	158,243,235	140,593,032	17,650,203	212,942,931	-54,699,696
31	UNAMORT DSM DISC & EX	18,502,181	18,756,431	-254,250	21,606,918	-3,104,737
32	DEVELOPMENT COSTS	812,648	843,820	-31,172	1,195,064	-382,416
33	LONG TERM REC DECOMM	54,426,143	54,604,590	-178,447	56,567,507	-2,141,364
34	DEFERRED ASSETS	2,302,441	2,280,272	22,169		2,302,441
36	TOT DEFERRED CHARGES	234,286,648	217,078,145	17,208,503	292,942,803	-58,656,155
	INVESTMENTS					
40	INSURANCE FUND				7,636,494	-7,636,494
42	N B COAL	1	1		1	
45	TOTAL INVESTMENTS	1	1		7,636,495	-7,636,494
47	LONG TERM RECEIVABLE				1,000,000	-1,000,000
48	LONG TERM INVESTMENT	4,500,000	4,500,000			4,500,000
50	TOTAL ASSETS	2,777,013,052	2,761,852,465	15,160,587	2,829,454,869	-52,441,817

DATE 11/12/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000503

BALANCE SHEET

AS AT OCTOBER 31 1987

LIABILITIES	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
LONG TERM DEBT					
13 DEB ISSUED BY COMM	2,114,168,464	2,093,151,639	21,016,825	2,172,644,307	-58,475,843
14 LESS SINKING FUND	-411,253,492	-401,843,813	-9,409,673	-355,247,840	-56,003,652
16	1,702,914,972	1,691,307,820	11,607,152	1,817,396,467	-114,479,495
18 LOAN PROV OF NB					
19 LESS SINKING FUND					
21					
23 NOTE PAYABLE AECL	332,813,914	332,813,914		337,724,486	-4,910,672
24 LOANS NRTHN CDA PWR	41,877,603	41,877,603		43,708,603	-1,831,000
25 LOAN ENGY MINES & RES	6,126,160	6,126,160		6,195,570	-69,410
26 LOAN CITY OF CAMPB	756,633	756,633		848,132	-91,499
27 OBLIGATION CAP LEASE					
30	2,084,489,182	2,072,882,030	11,607,152	2,205,971,258	-121,382,076
32 LESS CUR POR LTD	136,804,742	57,090,782	79,713,960	59,300,119	77,504,623
36 TOTAL LONG TERM DEBT	1,947,684,440	2,015,791,248	-68,106,808	2,146,671,139	-198,886,699

BALANCE SHEET

AS AT OCTOBER 31 1987

LIABILITIES	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
12 LONG TERM DEBT	1,947,684,440	2,015,791,248	-68,106,808	2,146,571,139	-198,886,699
CURRENT LIABILITIES					
17 BANK OVERDRAFT	9,943,447	10,703,782	-760,335	10,833,925	-890,478
18 BANK LOANS					
19 SHORT TERM DEBT	16,810,980	13,928,340	2,882,640		16,810,980
21 TOT SHT TERM DEBT ACCOUNTS PAYABLE	26,754,427	24,632,122	2,122,305	10,833,925	15,920,502
24 ACCTS PAYABLE REG	2,586,540	4,624,429	-2,037,889	2,074,377	512,163
25 INC TAX DEDUCTIONS	3,845,359	2,836,061	1,009,298	3,628,801	216,558
26 UTILITY TAX					
27 FUEL ACCRUALS	3,267,989	7,161,469	-3,893,480	1,693,106	1,574,883
28 SYNCRUDE LEVY					
31 SUB TOTAL	9,699,888	14,621,959	-4,922,071	7,396,284	2,303,604
33 OTHER ACC PAY	4,234,002	3,519,819	714,183	3,398,664	835,338
36 TOTAL ACCTS PAY	13,933,890	18,141,778	-4,207,888	10,794,948	3,138,942
37 ACC LIAB ACC PAYABLE					
38 ACC LIAB POWER PURCH	14,280,375	14,767,892	-487,517	11,237,635	3,042,740
39 ACC LIAB-OTHER	4,950,889	9,311,344	-4,360,455	1,563,379	3,387,510
40 TOTAL ACCRUED CHARGES	19,231,264	24,079,236	-4,847,972	12,801,014	6,430,250
41 CUSTOMER ADVANCES	335,943	269,851	66,092	23,904	312,039
42 HOME INSUL ADVANCES	2,996,440	2,996,440		2,996,440	
44 ACCRUED WAGES	4,461,732	6,977,211	-2,515,479	4,314,069	147,663
46 CONTRACT DEPOSITS	315,730	295,353	20,377	316,218	-488
48 TOT A P & ACCRUALS	41,274,999	52,759,869	-11,484,870	31,246,593	10,028,406
50 ACCRUED INT ON DEB	94,027,958	85,718,996	8,308,962	96,223,498	-2,195,540
51 ACCRUED INT PROV NO					
52 CURRENT PORTION LTD	136,804,742	57,090,782	79,713,960	59,300,119	77,504,623
53 HOLDBACK ON CONTRACTS	2,109,498	2,449,482	-339,984	4,032,657	-1,923,159
54 SERVICE DEPOSITS	1,559,155	1,532,027	27,128	1,272,233	286,922
58 TOT CURR LIAB	302,530,779	224,183,278	78,347,501	202,909,025	99,621,754

AS AT OCTOBER 31 1987

LIABILITIES	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
LIABILITIES					
12 TOT CURR LIAB	$02,530,779	224,183,278	[illegible],347,501	202,909,025	99,621,754
DEFERRED LIABILITIES					
18 ECONOMY SALES STAB AC	6,764,379	5,956,105	808,274		6,764,379
19 DECOMMISSIONING	66,703,576	66,601,785	101,791	65,623,719	1,079,857
20 UNAMORTIZED FUEL ADJ	37,019,701	36,092,935	926,716	27,336,687	9,683,014
22 SUB-TOT ITM & DECOMM	103,723,277	102,694,770	1,028,507	92,960,406	10,762,871
26 TOTAL DEF LIAB	110,487,656	108,650,875	1,836,781	92,960,406	17,527,250
RESERVES					
32 WATER EQUAL RESERVE	20,555,386	21,640,386	-1,085,000	42,193,386	-21,638,000
34 NUCLEAR EQUAL RESERVE	78,273,588	77,042,588	1,231,000	65,386,588	12,887,000
36 APPROP GEN EQUALIZ	152,000,000	152,000,000		135,000,000	17,000,000
38 INSURANCE				7,500,000	-7,500,000
40 TOTAL RESERVES	250,828,974	250,682,974	146,000	250,079,974	749,000
EARNINGS INVESTED					
45 AT APRIL 1	143,295,883	143,295,883		121,363,533	21,932,350
47 THIS YEAR TO DATE APPROP TO RESERVES	22,185,320	19,248,207	2,937,113	15,570,792	6,614,528
52 TOTAL EARNINGS INVEST	165,481,203	162,544,090	2,937,113	136,934,325	28,546,878
55 TOTAL LIAB & EARNINGS	2,777,013,052	2,761,852,465	15,160,587	2,829,454,869	-52,441,817

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

0000507

CONDENSED BALANCE SHEET

AS AT OCTOBER 31 1987

ASSETS	THIS MONTH	LAST MONTH	TM VS LM CHANGE	LAST YEAR	TY VS LY CHANGE
11 FIXED ASSETS	2,352,789,505	2,353,098,468	-308,963	2,362,656,433	-9,866,928
12 CURR ASSETS EX INVENT	112,123,437	112,441,680	-318,243	101,572,195	10,551,242
13 INVENTORIES	73,313,461	74,734,171	-1,420,710	63,646,943	9,666,518
14 DEFERRED CHARGES	234,286,648	217,078,145	17,208,503	292,942,803	-58,656,155
15 INVESTMENTS	1	1		7,636,495	-7,636,494
16 LONG TERM RECEIVABLE				1,000,000	-1,000,000
17 LONG TERM INVESTMENT	4,500,000	4,500,000			4,500,000
19 TOTAL ASSETS	2,777,013,052	2,761,852,465	15,160,587	2,829,454,869	-52,441,817
LIABILITIES					
29 TOTAL LONG TERM DEBT	2,084,489,182	2,072,882,030	11,607,152	2,205,571,258	-121,362,076
31 LESS:CUR PORT LT DEBT	-136,804,742	-57,090,742	-79,713,960	-59,400,119	-77,504,623
33 NET LONG TERM DEBT	1,947,684,440	2,015,791,288	-68,106,808	2,146,171,139	-198,866,699
35 CURRENT LIABILITIES	302,530,779	224,183,278	78,347,501	202,909,025	99,621,754
36 DEFERRED LIABILITIES	110,487,656	108,650,875	1,836,781	92,960,406	17,527,250
37 RESERVES	250,828,974	250,682,974	146,000	250,079,974	749,000
40 EARNINGS INVESTED	2,611,531,849	2,599,308,375	12,223,474	2,692,520,544	-80,988,695
42 AT APRIL 1	143,295,883	143,295,883		121,363,533	21,932,350
44 THIS YEAR TO DATE	22,185,320	19,248,207	2,937,113	15,570,792	6,614,528
APPROP TO RESERVES					
49 TOT EARNINGS INVEST	165,481,203	162,544,090	2,937,113	136,934,325	28,546,878
53 TOTAL LIABILITIES	2,777,013,052	2,761,852,465	15,160,587	2,829,454,869	-52,441,817

DATE 11/17/87 — THE NEW BRUNSWICK ELECTRIC POWER COMMISSION — 00001 70

INCOME STATEMENT

PERIOD ENDED OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	ACCOUNT DESCRIPTION	ACTUAL + BAL OF BUD	CURRENT PROJECTION	OFFICIAL BUDGET
10	100,687	83,000	569,181	581,000	312006 EXPORT M P	984,181	930,000	996,000
11	73,055	120,000	696,182	562,000	312001 EXPORT FIRM	1,000,182	1,150,000	866,000
12	13,195,501	13,196,855	106,121,313	99,557,054	312003 EXPORT ECONOMY	177,082,259	172,707,000	170,518,000
13	100,028	60,000	794,242	420,000	312004 CENTRAL MAINE	794,242	730,000	420,000
14					312005 EXPORT COL COV			
15	10,914,193	9,856,164	74,362,001	67,634,777	312009 EXPORT PT LEP	121,322,224	117,646,000	114,595,000
16	54,540	50,000	171,255	160,000	312002 EXPRT FIRM PEI	211,255	275,000	200,000
17					312008 EXPORT BANGOR			
18	4,130	4,500	27,780	31,500	312011 EMEC TRAN SERV	50,280	54,000	54,000
19					312012 MAINE ELECTRIC		354,000	
20					312013 MARITIME ELECT		44,000	
22	24,442,204	23,370,519	182,741,954	168,946,331	SUBTOT INTERCON REV	301,444,623	293,890,000	287,649,000
24	14,263,253	13,720,000	96,218,818	94,732,000	313 INDUST POWER	161,292,818	161,035,000	159,806,000
25	754,617	799,630	6,550,018	4,995,650	313001 INTERRUPTIBLE	10,280,368	10,850,000	8,726,000
26	251,168	164,950	1,225,426	1,281,140	313003 CONTRACT	2,086,286	2,100,000	2,142,000
27	3,592,345	3,748,000	22,812,802	23,424,000	311 WHOL 4 RESALE	47,601,802	48,213,000	48,213,000
29	18,861,383	18,432,580	126,807,064	124,432,790	SUBTOT INPROV TRANS	221,261,274	222,202,000	218,887,000
32	43,303,587	41,803,099	309,549,018	293,379,121	TOT TRANSMISSION REV	522,705,897	516,092,000	506,536,000
34	2,095,536	2,018,000	14,633,681	14,058,000	321 INDUST DISTRN	24,593,681	24,280,000	24,018,000
35	7,496,834	7,343,000	52,782,859	51,642,000	322 GEN SERVICE	103,971,859	103,997,000	102,831,000
36	15,846,620	15,765,000	93,943,520	92,794,000	323 RESIDENTIAL	197,960,520	197,387,000	196,811,000
37	808,035	699,000	5,091,439	4,844,000	324 STREET LIGHT	9,553,439	9,460,000	9,306,000
38	172,086	166,000	1,208,382	1,103,000	325 CONNECTION	1,705,382	1,600,000	1,600,000
40	26,419,111	25,991,000	167,659,881	164,441,000	SUBTOT DISTRIBUTION	337,784,881	336,724,000	334,566,000
42	107,134	141,000	888,545	972,000	327 SURCHARGE	1,916,545	2,000,000	2,000,000
43	500,719	388,400	2,982,956	2,764,100	346 SALE OF STEAM	5,007,856	5,208,044	4,789,000
45	70,330,551	68,323,499	481,080,400	461,556,221	TOT OPERATING REVENUE	867,415,179	860,024,044	847,891,000
46	93,632		649,465		340 RENTAL FACILITIES	649,465	1,110,000	
47	230	833	2,185	5,831	341 RENT CO HOUSES	6,354	10,000	10,000
48	41,645	37,500	290,269	262,500	342 RENT OTH PROP	477,769	450,000	450,000
49	4,604	1,250	24,686	8,750	343 DISC EARNED	30,936	15,000	15,000
50	7,156	8,333	123,731	58,331	344 SALE OF SCRAP	165,400	100,000	100,000
51	410,052	384,000	2,821,978	2,649,000	345 WT HEATER RENT	4,772,978	4,792,000	4,600,000
52	118,258	132,000	825,520	924,000	348 PEI CONTRACT	1,485,520	1,450,000	1,584,000
53	111,970	133,333	541,781	933,331	347 MISC EARNINGS	1,208,450	1,600,000	1,600,000
55	787,547	697,249	5,279,615	4,841,743	SUBTOT MISC EARNINGS	8,796,872	9,527,000	8,359,000
58	46,675,894	45,650,229	303,618,061	297,451,633	SUBTOT INPROV REVENUE	574,767,428	575,661,044	568,601,000
60	71,113,018	69,020,748	485,360,015	465,397,964	TOTAL REVENUE	876,212,051	869,551,044	856,250,000

DATE 11/10/87 — THE NEW BRUNSWICK ELECTRIC POWER COMMISSION — 0000184

INCOME STATEMENT DIVISIONAL

PERIOD ENDED OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	DESCRIPTION	ACTUAL + BAL OF BUD	CURRENT PROJECTION	OFFICIAL BUDGET
10	28,428	28,968	160,729	172,011	CHM & COMMISSIONERS	274,918	293,113	286,200
11	332,860	321,845	1,799,225	1,889,130	GENERAL MANAGER	3,080,397	3,047,372	3,170,302
12	836	3,793	2,272	22,516	CORP ECON STUDIES	17,306	37,550	37,550
13	63,033	79,331	408,496	478,997	PUBLIC AFFAIRS	729,903	800,404	800,404
14	225,063	245,157	1,504,741	1,472,804	PLANNING DEVELOPMENT	2,485,634	2,545,047	2,453,697
15	297,581	96,949	1,402,823	572,678	COMPTROLLER	1,851,788	1,021,643	1,021,643
16	51,868	75,181	310,496	414,787	TREASURY	574,984	679,275	679,275
18	996,689	851,224	5,588,782	5,022,923	TOTAL	9,014,930	8,424,404	8,449,071
					ADMINISTRATION			
21	174,791	194,478	964,270	1,081,636	ACCOUNTING	1,648,385	1,765,751	1,765,751
22					ADMINISTRATION			
23	406,843	450,890	2,395,749	2,479,151	MGN INFO SYSTEMS	4,115,869	4,199,271	4,199,271
24	169,944	183,213	982,322	1,019,406	MATERIAL MANAGEMENT	1,635,800	1,710,825	1,672,884
25	77,159	137,571	1,477,714	1,107,397	HUMAN RESOURCES	2,711,054	3,410,423	2,340,737
26	953,241	906,253	5,330,819	5,355,481	SERVICES	8,876,709	9,020,372	8,901,371
27	56,195	60,658	307,340	334,601	INTERNAL AUDIT	520,709	547,970	547,970
28	43,292	22,815	300,026	123,065	STAFF GROUP	377,528	200,567	200,567
29	8,769	16,210	59,165	87,910	MGT TRAINEES	114,675	143,420	143,420
32	1,910,233	1,972,088	11,817,405	11,588,647	TOTAL ADMINISTRATION	20,000,729	20,998,599	19,771,971
					OPERATIONS			
35	296,269	293,612	1,729,798	1,680,439	ENG & CONSTRUCTION	2,823,610	2,907,475	2,774,251
36	34,095	42,533	217,746	246,296	FUELS MANAGEMENT	379,246	407,796	407,796
37					OPERATIONS ADMIN			
38	9,081	6,091	45,155	33,367	MGR TECHNICAN SERV	66,377	81,351	54,589
39					OPS RESEARCH & DEV			
40	982,240	893,916	5,668,165	5,232,380	SYSTEM OPERATIONS	9,091,562	8,657,477	8,655,777
42	1,320,685	1,236,152	7,660,864	7,192,482	TOTAL OPERATIONS	12,360,795	12,054,099	11,892,413
					PLANT OPERATIONS			
45	458,123	555,983	3,272,745	3,259,466	H O PLANT OPS	5,421,353	5,408,074	5,408,074
46	677,508	1,026,961	4,912,300	5,919,551	EASTERN AREA	8,518,379	9,402,520	9,525,630
47	1,521,648	1,010,302	9,522,797	8,466,211	NORTHEAST AREA	13,672,426	13,355,885	12,615,840
48	366,946	379,886	2,277,804	2,337,202	NORTHWEST AREA	3,855,981	4,195,379	3,915,379
49	153,170	360,122	3,043,634	2,124,049	WESTERN AREA	4,448,654	4,074,894	3,529,069
50	2,343,540	1,851,139	13,777,447	11,294,768	SOUTHWEST AREA	21,372,151	19,906,649	18,889,472
51	3,655,401	3,936,940	26,247,137	26,685,740	PT LEPREAU	43,091,849	43,920,189	43,530,452
53	9,178,336	9,121,333	63,053,864	60,086,987	TOT PLANT OPERATIONS	100,380,793	100,263,590	97,413,916
55	524,316	476,743	2,817,303	2,881,378	DISTRIBUTION H O	4,681,298	4,727,923	4,745,373
56	3,088,841	3,094,043	17,281,165	18,319,094	DISTRIBUTION DISTS	29,127,626	30,406,387	30,165,555
58	3,613,157	3,570,786	20,098,468	21,200,472	TOT DISTRIBUTION	33,808,924	35,134,310	34,910,928
60	17,019,100	16,751,583	108,219,383	105,091,511	SUB TOT EXP BY DIV	175,566,171	176,875,002	172,438,299

DATE 11/10/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000185

INCOME STATEMENT DIVISIONAL

PERIOD ENDED OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	DESCRIPTION	ACTUAL + BAL OF BUD	CURRENT PROJECTION	OFFICIAL BUDGET
					DISTRIBUTION DISTRICTS			
12	158,420	129,692	678,972	785,309	BUCTOUCHE DISTRICT	1,195,870	1,302,207	1,302,207
13	457,017	447,373	2,326,847	2,635,366	MONCTON DISTRICT	4,049,060	4,357,579	4,357,579
14	78,125	84,353	452,611	505,681	SACKVILLE DISTRICT	764,423	817,493	817,493
15	130,807	105,840	619,191	655,957	SHEDIAC DISTRICT	1,053,881	1,044,977	1,090,647
16	182,092	194,499	1,083,563	1,182,197	BATHURST DISTRICT	1,871,374	2,079,587	1,970,008
17	165,516	152,987	912,858	891,784	CAMP-DAL DISTRICT	1,499,805	1,478,711	1,478,711
18	305,086	275,895	1,675,092	1,625,132	CHATHAM DISTRICT	2,714,324	2,728,309	2,664,364
19	201,678	253,494	1,310,446	1,491,341	TRACADIE DISTRICT	2,282,230	2,463,125	2,463,125
20	177,496	218,961	1,203,829	1,294,600	ROTHESAY DISTRICT	2,040,101	2,130,872	2,130,872
21	109,398	150,087	710,541	876,199	SUSSEX DISTRICT	1,287,323	1,452,981	1,452,981
22	180,932	236,295	1,319,155	1,391,778	ST.STEPHEN DISTRICT	2,131,388	2,204,011	2,204,011
23	463,375	384,434	2,428,818	2,263,574	FREDERICTON DISTRICT	3,893,413	3,841,147	3,728,169
24	220,390	245,169	1,392,965	1,470,713	GRAND FALLS DISTRICT	2,357,222	2,434,970	2,434,970
25	259,509	214,984	1,166,277	1,249,483	WOODSTOCK DISTRICT	1,987,212	2,070,418	2,070,418
27	3,088,841	3,094,043	17,281,165	18,319,094	NET TOT DISTS	29,127,626	30,406,387	30,165,555

DATE 11/10/87 — THE NEW BRUNSWICK ELECTRIC POWER COMMISSION — 0000188

INCOME STATEMENT DIVISIONAL

PERIOD ENDED OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	DESCRIPTION	ACTUAL + BAL OF BUD	CURRENT PROJECTION	OFFICIAL BUDGET
10	17,019,100	16,751,583	108,219,383	105,091,511	SUBTOT EXPENSE BY DIV	175,566,171	176,875,002	172,438,299
12	-666,200	-409,000	-4,017,694	-2,863,000	ADMN CHARGED CAPITAL	-6,254,694	-6,600,000	-5,100,000
14					CONTINGENCY	11,368,478	11,368,478	11,368,478
16	842,815	824,000	5,899,705	5,768,000	UTILITY TAX	10,431,705	10,300,000	10,300,000
19	17,195,715	17,166,583	110,101,394	107,996,511	SUBTOT CONTRLABLE EXP	191,111,660	191,943,480	189,006,777
					FINANCIAL CHARGES			
23	254,251	256,805	1,789,941	1,835,258	DISC ON DEBENTURES	3,131,129	3,136,729	3,176,446
25	19,047,459	19,499,495	133,611,416	136,555,465	INTEREST ON DEBENT	231,029,951	228,474,000	233,974,000
27	4,558,545	4,829,584	30,211,794	34,408,588	FOREIGN EXCHANGE	54,350,206	54,015,000	58,547,000
29	474,482	243,749	1,446,163	1,706,243	BANK INT & EXCH DISC	2,664,920	2,400,000	2,925,000
32	24,334,737	24,829,633	167,059,314	174,505,554	SUBTOT	291,176,206	288,025,729	298,622,446
					INTEREST SINKING			
36	-3,683,501	-3,700,437	-24,335,732	-25,440,504	FUND INVESTMENT	-45,150,693	-42,500,000	-46,255,465
38	-376,306	-331,249	-1,724,214	-2,318,743	INTEREST CAPITALIZED	-3,380,471	-3,400,000	-3,975,000
40	342,716	255,703	1,646,954	1,789,921	INTEREST CREDIT OTHER	2,925,470	3,504,501	3,068,437
43	20,617,646	21,053,650	142,646,322	148,536,228	NET FINANCIAL	245,570,512	245,630,230	251,460,418
45	178,447	180,946	1,249,129	1,266,622	DECOMMISSIONING	2,153,867	2,171,360	2,171,360
47	6,776,974	6,545,479	46,947,976	46,038,353	DEPRECIATION	79,895,677	79,867,688	78,986,054
50	27,573,067	27,780,075	190,843,427	195,841,203	SUBTOT FIXED EXPENSES	327,620,056	327,669,278	332,617,832

DATE 11/10/87 — THE NEW BRUNSWICK ELECTRIC POWER COMMISSION — 0000187

INCOME STATEMENT DIVISIONAL

PERIOD ENDED OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	DESCRIPTION	ACTUAL + BAL OF BUD	CURRENT PROJECTION	OFFICIAL BUDGET
					FUEL			
12	68,069	102,300	371,988	646,300	432200 LIGHT OIL	880,688	1,155,000	1,155,000
14	36,239	30,800	134,103	215,900	432400 DIESEL	280,203	362,000	362,000
16	2,727,000	1,607,000	15,206,071	10,272,000	432100 COAL	39,094,071	39,347,000	34,160,000
18	6,156,557	7,422,000	44,383,977	41,183,000	432300 OIL BUNKER C	95,946,977	123,808,000	90,746,000
20	620,482	493,000	3,715,929	3,450,000	432600 IRADIATED FUEL	6,180,929	6,330,000	5,915,000
22	1,504,198	1,270,000	8,803,439	8,884,000	432700 NUCLEAR	15,154,439	15,695,000	15,235,000
24	-384,712	-106,000	-1,365,156	-1,060,000	432950 FUEL RECOVERY	-2,888,156	-3,325,000	-2,583,000
27	10,727,833	10,819,100	73,250,351	63,591,200	SUBTOT FUEL	154,649,151	183,372,000	144,990,000
29	14,426,198	15,289,470	97,836,624	95,503,119	POWER PURCHASE	174,861,505	159,268,000	172,528,000
32	25,154,031	26,108,570	171,086,975	159,094,319	SUBTOT ENERGY EXPENSE	329,510,656	342,640,000	317,518,000
35	1,190,387	-2,038,429	14,293,918	3,438,288	INCOME BEFORE ADJUSTMENTS	27,915,630	7,250,895	17,060,000
					ADJUSTMENTS			
39	-1,685,000		-17,619,000		WATER EQUALIZATION	-17,619,000	-17,619,000	
41	1,231,000		5,912,000		NUCLEAR EQUALIZ	5,912,000	5,912,000	
43	132,090	244,166	924,630	1,709,162	ECON SALES PRIOR YEAR	2,145,468	1,585,068	2,930,000
45	676,184		5,571,969		ECON SALES CURRENT YR	5,571,969	5,571,969	
49	-2,701,000	-2,600,000	-2,681,000	-2,275,000	LABOUR ACCRUALS	-3,006,000	-2,600,000	-2,600,000
51	-1,746,726	-2,355,834	-7,891,401	-565,838	SUBTOT ADJUSTMENTS	-6,995,563	-7,149,963	330,000
55	2,937,113	317,405	22,185,319	4,004,126	NET INCOME	34,911,193	14,400,858	16,730,000

DATE 11/12/87 THE NEW BRUNSWICK ELECTRIC POWER COMMISSION 0000188

REVENUE AND EXPENDITURE SUMMARY

TO OCTOBER 31 1987

	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	DESCRIPTION	OFFICIAL BUDGET	CURRENT PROJECTIONS	VARIANCE BUD/PROJECTION
					REVENUES			
12	46,675,894	45,650,229	303,618,061	297,451,633	IN PROVINCE REVENUES	568,601,000	575,661,044	7,060,044
14	24,442,204	23,370,519	182,741,954	168,946,331	INTERCONN REVENUES	287,649,000	293,890,000	6,241,000
18	71,118,098	69,020,748	486,360,015	466,397,964	TOTAL REVENUES	856,250,000	869,551,044	13,301,044
					EXPENDITURES			
26	17,200,617	17,170,532	110,135,695	108,024,154	VARIABLE EXPENSES	189,054,168	191,990,871	2,936,703
28	27,573,067	27,780,075	190,843,427	195,841,203	FIXED EXPENSES	332,617,832	327,669,278	-4,948,554
30	25,154,031	26,108,570	171,086,975	159,094,319	ENERGY EXPENSES	317,518,000	342,640,000	25,122,000
34	69,927,715	71,059,177	472,066,097	462,959,676	TOTAL EXPENSES	839,190,000	862,300,149	23,110,149
40	1,190,385	-2,038,429	14,293,917	3,438,288	INCOME BEFORE ADJUST	17,060,000	7,250,895	-9,809,105
42	1,746,726	2,355,834	7,891,401	565,838	PLUS ADJUSTMENTS	-330,000	7,149,963	7,479,963
48	2,937,111	317,405	22,185,318	4,004,126	NET INCOME	16,730,000	14,400,858	-2,329,142

DATE 12/01/87

N.B. COAL LIMITED

BALANCE SHEET

AS AT OCT 31 1987

	ASSETS	THIS MONTH	AT MAR 31 87	CHANGE
	CURRENT:			
12	ACCOUNTS RECEIVABLE	2,787,512	3,252,436	-464,924
13	LEASE PAYMENT REC	1,305,000	1,160,000	145,000
14	INVENTORY COAL	936,250	93,500	840,750
15	INVENTORY PARTS	2,264,211	2,584,904	-320,693
16	PREPAID EXPENSES	259,210	109,419	149,791
17	DEFERRED LEASE PAY	276,473	256,528	19,945
19	TOTAL CURRENT	7,826,656	7,456,787	369,869
	FIXED ASSETS:			
23	GROSS COST	51,322,609	50,911,324	411,285
24	ACCUM DEPR	-19,655,643	-18,297,720	-1,357,923
26	NET FIXED ASSETS	31,666,966	32,613,604	-946,638
28	INVEST IN GL&L	5,000	5,000	
29	DEFERRED DEVELOP	705,091	875,285	-170,194
30	DEFERRED EXPLOR	246,684	293,367	-46,683
31	DFF CAP LEASE PYMTS	448,954	618,538	-169,584
33	TOTAL ASSETS	40,899,351	41,862,581	-963,230
	LIABILITIES			
37	BANK INDEBTEDNESS	1,416,347	218,697	1,197,650
38	ACCOUNTS PAYABLE	3,357,399	3,656,174	-298,775
39	CURRENT L T DEBT	3,076,081	3,160,266	-84,185
40	DEFERRED REVENUE	17		17
42	TOT CURRENT	7,849,844	7,035,137	814,707
45	LONG TERM LEASES	28,109,580	28,997,820	-888,240
46	LONG TERM LOANS	4,050,000	4,792,000	-742,000
47	CURRENT L T DEBT	-3,076,081	-3,160,266	84,185
49	LONG TERM DEBT	29,083,499	30,629,554	-1,546,055
51	SUB DEBENTURE	4,500,000	4,500,000	
52	COMMON STOCK	12,155	12,155	
53	RET EARNINGS	-314,264	-314,264	
54	EARNINGS IN YEAR	-231,883		-231,883
56	TOT EQUITY	3,966,008	4,197,891	-231,883
58	TOTAL LIABILITIES	40,899,351	41,862,582	-963,231

DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF EOY	VARIANCE BUD/ACTUAL
INCOME STATEMENT							
13 REVENUE	3,139,303	2,702,997	19,050,551	17,388,225	30,477,516	32,139,342	1,662,326
EXPENSES							
18 MINING 8200	1,206,897	1,100,052	7,736,371	7,108,163	12,378,608	13,006,316	627,708
19 MINING 500W	331,675	283,808	2,124,794	1,817,861	3,161,435	3,468,368	306,933
20 MINING 9W	180,360	244,533	1,522,463	1,530,278	2,680,138	2,672,323	-7,815
21 MINING 7200	116,084	138,540	784,054	855,649	1,488,738	1,417,143	-71,596
22 MINING OTHER							
23 COAL PURCHASES	598,107	403,025	3,928,536	2,619,818	4,579,010	5,887,728	1,308,718
24 CHANGE IN INVENTORY	56,750		-840,750			-840,750	-840,750
25 VEHICLES SUB LEDGER	126,520		126,520			126,520	126,520
27 MINING EXPENSE	2,614,393	2,169,958	15,381,988	13,931,769	24,287,929	25,738,144	1,450,215
30 GROSS MARGIN	524,910	533,039	3,668,563	3,456,456	6,189,587	6,401,029	211,442
33 GENERAL EXPENSE	271,987	271,222	2,072,555	1,785,889	3,058,168	3,344,834	286,666
35 INTEREST	233,272	265,016	1,827,891	1,808,316	3,131,405	3,150,980	19,575
39 NET INCOME	19,651	-3,199	-231,883	-137,749	14	-94,120	-94,133

DATE 12/01/87 — NB COAL LIMITED — PAGE 1

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
REVENUE BY SOURCE							
11 OPER 8200	1,809,772	1,509,178	9,628,028	9,687,950	16,990,425	16,930,503	-59,922
13 OPER 500W	241,931	262,923	1,909,307	1,687,796	2,960,004	3,181,515	221,511
15 OPER 9W	223,355	278,698	1,811,395	1,789,064	3,137,604	3,159,735	22,131
17 OPER 7200	97,240	168,271	880,481	1,080,191	1,894,406	1,694,696	-199,710
19 OPER OTHER							
23 OPER REV NRC FLEET	2,372,298	2,219,070	14,229,211	14,245,001	24,982,439	24,966,649	-15,790
27 OPER REV KNOX	650,183	420,677	3,926,021	2,700,474	4,736,077	5,961,624	1,225,547
29 OPER REV LAKE	32,534	59,200	541,977	414,400	710,400	837,977	127,577
31 OPER REV OTHER PURCH	102,917	14,800	435,955	103,600	177,600	509,955	332,355
35 OPER REV COAL PURCH	785,634	494,677	4,903,953	3,218,474	5,624,077	7,309,556	1,685,479
39 TOT OPER REVENUE	3,157,932	2,713,747	19,133,164	17,463,475	30,606,516	32,276,205	1,669,689
41 MISC REVENUE	-18,629	-10,750	-82,613	-75,250	-129,000	-136,363	-7,363
45 TOT REVENUE	3,139,303	2,702,997	19,050,551	17,388,225	30,477,516	32,139,842	1,662,326

DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

000162

DESCRIPTION OPERATIONS-8200	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
11 OPER SUPERVISION	12,651	17,163	69,922	102,808	177,067	144,131	-32,946
13 DRAGLINE OPER	562,690	561,569	4,120,198	3,662,026	6,376,924	6,834,986	458,152
15 CLEAN & LOAD OPER	158,983	121,895	773,625	785,064	1,365,433	1,353,994	-11,439
17 PUMPING OPER	29,384	40,546	226,561	266,272	457,302	417,591	-39,711
19 DRILL & BLAST OPER	386,487	278,309	2,211,291	1,778,980	3,112,181	3,544,492	432,311
21 EXPLORATION OPER	6,024	13,549	14,433	94,843	162,588	82,178	-80,410
23 ENVIRONMENT OPER	3,371		3,371			3,371	3,371
25 LAND RECLAMATION		25,493		163,646	286,998	123,352	-153,646
27 PROCESSING OPER	45,307	41,528	316,980	254,524	440,215	502,671	62,456
31 TOT MINING OPER	1,204,897	1,100,052	7,736,371	7,108,163	12,378,608	13,006,816	628,208

DATE 12/01/87 — NB COAL LIMITED — 00001C3

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
OPERATIONS-500W							
11 OPER SUPERVISION	5,389	6,635	35,027	40,595	69,870	64,302	-5,568
13 DRAGLINE OPER	115,880	120,586	808,986	760,915	1,324,998	1,373,069	48,071
15 CLEAN & LOAD OPER	45,741	47,918	346,269	301,703	529,724	574,290	44,566
17 PUMPING OPER	23,684	16,310	140,113	101,006	173,780	212,887	39,107
19 DRILL & BLAST OPER	65,663	46,426	414,880	294,689	515,160	635,351	120,191
21 EXPLORATION OPER	8,715	4,235	49,965	29,645	50,820	71,140	20,320
23 ENVIRONMENT OPER	66,603	37,257	329,554	260,799	447,084	515,839	68,755
25 LAND RECLAMATION		4,441		28,509	49,999	21,490	-28,509
PROCESSING OPER							
31 TOT MINING OPER	331,675	283,808	2,124,794	1,817,861	3,161,435	3,468,358	306,933

DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

000014

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
OPERATIONS-9W							
11 OPER SUPERVISION	3,804	4,611	22,576	28,496	49,031	43,111	-5,920
13 DRAGLINE OPER	111,850	109,499	708,584	674,410	1,185,537	1,219,711	34,174
15 CLEAN & LOAD OPER	25,094	45,020	209,674	280,961	493,084	421,797	-71,287
17 PUMPING OPER	3,379	17,668	31,453	110,517	190,085	111,021	-79,064
19 DRILL & BLAST OPER	34,854	60,837	532,588	390,342	683,119	825,365	142,246
21 EXPLORATION OPER	1,379	2,190	17,588	15,330	26,280	28,538	2,258
23 ENVIRONMENT OPER							
25 LAND RECLAMATION		4,708		30,222	53,002	22,780	-30,222
PROCESSING OPER							
31 TOT MINING OPER	180,360	244,533	1,522,463	1,530,278	2,680,138	2,672,323	-7,815

DATE 12/01/87 NB COAL LIMITED 000.LCS

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
OPERATIONS-7200							
11 OPER SUPERVISION	2,536	2,451	15,051	14,637	25,212	25,626	414
13 DRAGLINE OPER	68,160	75,121	447,961	457,937	797,199	787,223	-9,977
15 CLEAN & LOAD OPER	16,678	21,781	104,771	137,790	239,825	206,806	-33,019
17 PUMPING OPER	1,204	8,933	8,884	53,757	92,574	47,701	-44,873
19 DRILL & BLAST OPER	25,984	26,233	185,170	165,028	287,780	307,922	20,142
21 EXPLORATION OPER	1,522	1,179	22,217	8,253	14,148	28,112	13,964
23 ENVIRONMENT OPER							
25 LAND RECLAMATION		2,842		18,247	32,000	13,753	-18,247
PROCESSING OPER							
31 TOT MINING OPER	116,084	138,540	784,054	855,649	1,488,738	1,417,143	-71,596

DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
OPERATIONS-OTHER							
11 OPER SUPERVISION							
13 DRAGLINE OPER							
15 CLEAN & LOAD OPER							
17 PUMPING OPER							
19 DRILL & BLAST OPER							
21 EXPLORATION OPER							
23 ENVIRONMENT OPER							
25 LAND RECLAMATION							
PROCESSING OPER							
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31 TOT MINING OPER							
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DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
GENERAL EXPENSES							
11 PRESIDENT	20,880	15,599	85,530	98,693	169,688	156,525	-13,163
15 CONTROLLER GROSS	320,530	288,700	1,164,866	1,974,104	3,415,613	2,606,375	-307,239
16 LESS INTEREST	-233,272	-265,016	-1,827,891	-1,808,316	-3,131,405	-3,150,980	-19,575
17 LESS CHANGE IN INV	-56,750		840,750			840,750	840,750
19 CONTROLLER NET	30,508	23,684	177,725	165,788	284,208	296,145	11,937
22 OFFICE ADMIN	26,320	25,729	178,762	159,824	276,035	294,973	18,938
23 PURCHASING	10,484	6,906	43,696	40,171	69,255	72,773	3,525
24 CORPORATE BENEFITS	23,638	-21,095	297,312	75,098	90,235	312,449	222,214
25 STORES	11,311	11,043	88,490	70,513	121,204	139,181	17,977
26 SERVICES COORDINATOR	14,141	10,981	82,353	64,994	111,983	129,342	17,359
27 VEHICLES IDLE	3,872		101,307			101,307	101,307
29 TOT CONTROLLER	120,274	57,248	969,645	576,388	952,918	1,346,175	393,257
32 MINE MANAGER	12,173	12,609	76,761	75,711	130,388	131,438	1,050
33 MAINTENANCE ADMIN	47,216	74,281	339,039	474,683	827,822	692,178	-135,644
34 REPAIR SHOP	31,944	61,022	294,559	239,197	425,504	480,865	55,362
35 FUEL DELIVERY	8,903	7,678	48,604	49,324	84,766	84,046	-720
36 ROAD MAINTENANCE	9,714	10,460	86,914	69,435	119,211	136,690	17,479
37 TECHNICAL PLANNING	7,669	10,312	65,182	60,869	104,553	108,866	4,313
38 SURVEY OPERATIONS	5,385	8,685	41,391	54,028	92,941	80,304	-12,637
40 TOT MINE MANAGER	123,004	185,047	952,450	1,023,247	1,785,185	1,714,388	-70,797
43 MGR HUMAN RES	7,829	13,328	64,930	87,561	150,377	127,746	-22,631
47 TOT GENERAL EXPENSE	271,987	271,222	2,072,555	1,785,889	3,058,168	3,344,834	286,666
51 INTEREST	233,272	265,016	1,827,891	1,808,316	3,131,405	3,150,980	19,575
54 CHANGE IN COAL INV	56,750		-840,750			-840,750	-840,750

DATE 12/01/87

NB COAL LIMITED

WORKSHEET FOR FINANCIAL STATEMENTS

PERIOD ENDED OCT 31 1987

DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YEAR-TO-DATE ACTUAL	YEAR-TO-DATE BUDGET	OFFICIAL BUDGET	YTD PLUS BAL OF BUD	VARIANCE BUD/ACTUAL
COAL PURCHASES							
KNOX CONTRACTING							
12 OPERATIONS	501,759	346,775	3,234,927	2,226,068	3,904,010	4,912,869	1,008,459
13 LAND RECLAMATION							
15 TOT KNOX PURCH	501,759	346,775	3,234,927	2,226,068	3,904,010	4,912,869	1,008,459
LAKE INDUSTRIES							
20 OPERATIONS	31,498	45,000	422,818	315,000	540,000	647,818	107,818
OTHER COAL PURCHASES							
25 OPERATIONS	64,850	11,250	266,426	78,750	135,000	322,676	187,676
26 CLEAN & LOAD							
27 LAND RECLAMATION			4,365			4,365	4,365
29 TOT OTHER PURCH	64,850	11,250	270,791	78,750	135,000	327,041	192,041
33 TOT COAL PURCHASES	598,107	403,025	3,928,536	2,619,818	4,579,010	5,887,728	1,308,718

APPENDIX II

FINANCIAL FORECAST

NEW BRUNSWICK ELECTRIC POWER COMMISSION

REVENUE AND EXPENDITURES SUMMARY

OCTOBER 31 1987

CURRENT MONTH		YEAR TO DATE		DESCRIPTION (millions)	FULL YEAR		
ACTUAL	BUDGET	ACTUAL	BUDGET		BUDGET	PROJECTION	VARIANCE
$46.7	$45.6	$303.6	$297.5	In-Province Revenue	$568.6	$575.7	$ 7.1
24.4	23.4	182.8	168.9	Interconnections	287.6	293.8	6.2
$71.1	$69.0	$486.4	$466.4	**Total Revenues**	$856.2	$869.5	$ 13.3
$17.2	$17.2	$110.1	$108.0	Variable expenses	$189.1	$192.0	$ 2.9
27.6	27.8	190.9	195.8	Fixed expenses	332.6	327.7	- 4.9
25.1	26.1	171.1	159.1	Energy expenses	317.5	342.6	25.1
$69.9	$71.1	$472.1	$462.9	**Total Expense**	$839.2	$862.3	$ 23.1
1.2	-2.0	14.3	3.4	Income Before Adjustments	17.0	7.3	- 9.7
1.7	2.3	7.9	.6	Plus Adjustments	- .3	7.1	7.4
$ 2.9	$ .3	$ 22.2	$ 4.0	**Net Income**	$ 16.7	$14.4	$ - 2.3